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A Judge's Brief, Stormy Trial

A 'Modern' Man, A Clash of Values

By Robert G. Kaiser Washington Post Service WASHINGTON — "My God, this is embarrassing," a well-connected Republican groaned. "I mean, this is horrible — it is not good for the country."

Ginsburg Drops High Court Bid

New York Times Service WASHINGTON — Under pressure from administration officials and his own conservative supporters on Capitol Hill, Judge Douglas H. Ginsburg has asked President Ronald Reagan to withdraw his nomination to the Supreme Court.



One of the wounded persons in the Northern Ireland bombing being transferred to a hospital.

Bombing Kills 11 In Ulster

Blast Wounds 55 At a Ceremony For British Dead

ENNISKILLEN, Northern Ireland — A bomb killed 11 persons and wounded 55 at a memorial ceremony for Britain's war dead on Sunday in the deadliest Irish terrorist attack in five years.

Market Crash Spotlights The West's Empty Stage

By Reginald Dale International Herald Tribune PARIS — More than three weeks since the international stock markets ran up the curtain on "The Great Crash of 1987," a group of key players is still missing from the center stage.

Tunisian Deposed and Held Under Guard

The Associated Press TUNIS — Habib Bourguiba, who was deposed early Saturday as president of Tunisia, was under armed guard Sunday at a presidential palace in the suburb of Carthage, the government said.

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Zine al-Abidine Ben Ali waving in Tunis after taking over the presidency from Habib Bourguiba, who was deposed.

Terrorist Group Claims It Holds Israeli Hostage

BEIRUT (AP) — The Abu Nidal Palestinian terrorist group said Sunday that its guerrillas had seized a French-registered boat off the Israeli-occupied Gaza Strip and were holding the eight Israelis on board as hostages.

Japanese Leader Urges U.S. to Support Dollar

By Fred Hiatt Washington Post Service TOKYO — The newly formed Japanese government has urged the United States in unusually strong terms to do its part to support the dollar.

Hussein Warns Arabs on Disunity

By Patrick E. Tyler Washington Post Service AMMAN, Jordan — King Hussein opened a meeting of 16 Arab heads of state Sunday night, warning that a disunited and weakened Arab world could not stop the Gulf War from spreading and could not solve the Arab-Israeli conflict.

Lord Carrington, the secretary-general of NATO, reflects on what the INF treaty will mean for the alliance.

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MONDAY Q&A

Lord Carrington, the secretary-general of NATO, reflects on what the INF treaty will mean for the alliance. Page 2.



Andrei D. Sakharov and his wife, at their home in Moscow.

Sakharov Is Out of Exile but Still in Limbo

By Bill Keller New York Times Service MOSCOW — On a typical day, two or three supplicants find their way to the unmarked apartment of Andrei D. Sakharov.



Vertical sidebar containing various advertisements and notices, including 'EMPLOYMENT', 'HOLIDAYS', 'HEALTH SERVICES', 'LEGAL SERVICES', 'SERVICES', 'ACCESS VOYAGES', and 'COLLECTORS'.

Carrington Reflects on NATO's Defense Outlook After INF

The security outlook in Europe after an Intermediate Nuclear Forces treaty eliminating medium- and shorter-range nuclear missiles preoccupies Lord Carrington, the secretary-general of the North Atlantic Treaty Organization. At his Brussels headquarters, he talked to the IHT's political correspondent, Joseph Fitchett, about the West's defense agenda.

Considerable progress has been made on the START talks (about cuts in intercontinental missiles), which are the negotiations now most in the minds of the NATO countries and are probably the priority next year.

Q: After an INF treaty, many analysts expect Mikhail Gorbachev to launch a campaign of disarmament initiatives next spring in color the political climate in Europe. Do you agree?

MONDAY Q&A

A: Of course he will. He will bombard public opinion with proposals. We've already had lots. In point of fact, many of them — like the INF agreement — are Western proposals that his predecessors rejected. Others of his suggestions sound superficially appealing, but aren't really serious.

Q: After an INF treaty, what is likely to be the next security development?

A: The issues next year are going to be complicated by the U.S. presidential elections. I hope the Soviet Union won't regard the elections as a bar to discussions. They may be a bar to ratification.

regional conflicts and confidence-building measures, which go to [reducing] the basic distrust between the two sides.

Q: Are you worried about a public perception that NATO is becoming merely reactive and is losing the initiative, particularly in arms control, to a more imaginative Soviet leadership?

A: We all know this is untrue. It is the West that has produced serious proposals — the double-zero solution to INF missiles, the 50-percent cut in START. NATO is slower to get out act together because we're democracies. But we do have to do better in putting our positions across to our publics.

Q: The Soviet Union seems likely to suggest troop cuts in Europe soon. Is NATO going to be fast enough in offering proposals on conventional arms reductions?

A: We shall have proposals. But the problem is infinitely more complex than nuclear disarmament, where you count the weapons and then decide what to do. In trying to reduce the confrontation in central Europe, you're talking about geography from the Atlantic to the Urals, about men, weapons systems — and dozens of nations instead of just two super-

powers. I don't expect a breakthrough on conventional arms control soon.

Q: Is disarmament the main Western priority for next year?

A: We have to keep looking at the Warsaw Pact's formidable capabilities in Europe. So while trying to reduce the imbalance and overall level of weaponry by arms control, we've got to improve our own capabilities. The main priority in this respect is better cooperation among alliance countries in developing new weapons systems.

Q: It's an old theme at NATO, which appears even more urgent now with worsened economic prospects after the stock market crash. Is there any reason for optimism now?

A: The most hopeful development is the realization by European governments — all of them — that the sophistication and cost of modern conventional weapons is so great that there is no way that any one country can do it all themselves. That's making all the European countries want to collaborate industrially on defense.

And we have to pay more attention to the NATO commanders' priorities about the new arms they will require. I'm trying

to get governments to think ahead collectively and not just nationally and in the light of each service's wishes, about what new weapons the alliance as a whole is going to need.

Q: What kind of problems do you anticipate your successor, due to take over at NATO next year, will face?

A: Money for defense. Since alliance countries on present projections cannot remotely match the Soviet Union, we must get more far our money. Trans-Atlantic relations: U.S. feelings that Europe is not spending enough on defense, accusations about protectionism, the falling dollar — all of these are factors that make people in the United States and in Congress look again at their commitments, so Europeans must realize that they are going to be required to do more.

He will face a new problem in this respect: the more successful arms control negotiations are, the more vital it becomes to make our constituents realize the need for prudence. We have to remain cautious until the Soviet Union reduces its capacity for offensive operations closer to the level of weapons it needs for defense.

WORLD BRIEFS

Dispute Preceded Thailand Air Crash

BANGKOK (AFP) — The crash of a Thai Airways plane at Phuket Island that killed all 83 people on board in August followed a dispute between the control tower and the pilots over landing priority and clearance, a transcript of their taped conversation published here has disclosed.

The transcript of the final conversation between the Thai Airways Boeing 737 and Phuket airport was carried in a report in the pro-government Bangkok Post newspaper on Friday and confirmed as accurate by airline officials Saturday.

According to the transcript, the pilot of the Thai plane believed that a plane belonging to Hong Kong Dragon Airlines was trying to land in front of him. "They are trying to sneak in," the transcript quotes the Thai Air pilot as saying. The accident occurred during discussions as to which plane was entitled to land first.

Italy Votes on Nuclear, Judicial Issues

ROME (Reuters) — Italians began voting Sunday in five referendums on nuclear power and judicial reform.

Initial results from the two days of balloting are expected Monday evening, with opinion polls suggesting a majority of voters in favor of doing away with existing laws on the various issues. The Socialist Party of former Prime Minister Bettino Craxi, the second largest in the five-party governing coalition, is the main sponsor of the referendums and argues they are needed to break parliamentary inertia on the issues.

The most controversial referendum could make judges personally liable to civil damage suits for alleged wrongful conviction and other errors. In three other referendums, voters will be asked whether Parliament rather than ministers should be allowed to decide where to put new nuclear power plants, whether subsidies to the towns where they are sited should be ended and whether Italy should cease participating in nuclear projects abroad. The fifth holds out the prospect of making ministers directly accountable to Parliament for alleged offenses in office.

Jayawardene Upbeat After India Visit

NEW DELHI (Combined Dispatches) — Prime Minister Rajiv Gandhi said after three days of talks with President Junius R. Jayawardene of Sri Lanka that differences remained on how to end the civil war in Sri Lanka. Mr. Gandhi added, however, that he was satisfied with the outcome of the talks.

Mr. Jayawardene said Saturday before leaving India that the meeting had reached "happy conclusions," and he referred to the discussions as useful. But he said he planned no changes in legislation to carry out the accord between India and Sri Lanka to end fighting by Tamil rebels. The legislation apparently the source of differences between the two leaders.

Sri Lankan newspapers reported Sunday that Indian troops trying to disarm Tamil guerrillas killed 11 rebels in the Jaffna Peninsula. More than 20,000 Indian troops have been posted to Sri Lanka to disarm Tamil guerrillas and other groups opposed to the July 29 accord, which calls on India to disarm the Tamil rebels in exchange for Sri Lanka granting more autonomy to minority Tamils in the northern and eastern parts of the island.

UNESCO Approves Mayor as Director

PARIS (NYT) — UNESCO's General Conference has voted overwhelmingly to elect Federico Mayor Zaragoza, a former Spanish education minister, as its next director-general.

After being approved, 142-7, the 53-year-old biochemist said one of his top priorities would be to persuade the United States and Britain to rejoin the organization. The United States left the 158-member organization in 1984 and Britain the next year after protesting that the United Nations Educational, Scientific and Cultural Organization was poorly managed, wasted money and had an anti-Western bias.

On Oct. 18, Mr. Mayor's supporters overruled those of Amador M. Borja, the incumbent director, to allow the Spaniard to win the nomination of the Executive Board by a 30-20 vote. But there were reported efforts by Mr. Borja's embittered supporters to seek to deny Mr. Mayor the backing of the General Conference. Those efforts were abandoned, however, when the Arab bloc threw its 20 votes behind Mr. Mayor.

For the Record

The Food and Agriculture Organization opened a two-week conference in Rome on Saturday that will include the election of director-general of the UN agency.

Judicial officials in Florence said eight men, including a reputed Mafia figure, Pippo Calò, had been ordered to stand trial for a Christmas train bombing in 1984 that killed 15 people and wounded 230. The bomb went off on a Naples-to-Milan train in a tunnel outside Florence.

Nearly 3,000 Japanese farmers and their supporters held a rally on Sunday protesting plans to expand the Naita international airport. The police said there were minor clashes but no arrests.

The World Bank announced it was giving drought-related assistance of more than \$500 million to India. The bank said it was seeking to ease India's growing balance-of-payments squeeze.

South Korea policemen fired tear gas and charged into thousands of student protesters who tried to march from a college campus on Sunday after listening to Kim Dae Jung call for fair presidential elections.

TRAVEL UPDATE

Pan Am-Aeroflot Service Set for May

MOSCOW (AFP) — Pan American World Airways and the Soviet carrier Aeroflot will start a joint Moscow-New York service in May, the U.S. airline's president, Charles Ackler, said in an interview with a Soviet newspaper published Sunday.

The first nonstop flight by a Boeing 747 bearing the insignia of both airlines is scheduled for May 15. Mr. Ackler told the daily Sovetskaya Rossiya. Aeroflot and Pan Am agreed in talks earlier this year on three weekly direct flights.

Tourism is up nearly 30 percent in the British Virgin Islands, officials there said. They said that of the 161,100 tourists who visited in 1986 and spent \$100 million, about 113,000 were from the United States, 6,900 were Canadian and 3,950 were British.

This Week's Holidays

Banking and government services will be closed or their hours curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Pakistan.
- TUESDAY: Bangladesh, Panama, Monaco, Puerto Rico, Switzerland, United States.
- WEDNESDAY: Angola, Belgium, Bermuda, Bhutan, Canada, France, Guam, Mexico, Puerto Rico, Switzerland, United States.
- THURSDAY: Bhutan, Taiwan.
- FRIDAY: Bhutan.
- SATURDAY: Ethiopia, Guinea-Bissau, Jordan.
- SUNDAY: Brazil.

DOONESBURY



Mrs. Gorbachev Plans To Attend the Summit

MOSCOW — Raisa Gorbachev, wife of the Soviet leader, has indicated that she will go with her husband to the summit meeting next month in Washington — "if it takes place."

She made her cautious comment in a brief conversation Saturday with a reporter from The Washington Post and two other Western journalists during the Red Square parade.

Although security men were standing close by, they did not move to interrupt the conversation — a departure from an earlier era when the families of Soviet leaders were kept at a distance from the press.

Informality is a style the Gorbachev family shares and seems eager to promote. Mrs. Gorbachev, a sociologist who is on the board of the newly formed Cultural Fund, seemed at ease talking with reporters and others.

Mrs. Gorbachev's frequent public appearances at her husband's side have caused some resentment among the Soviet public, however, because many think that wives should not be so visible.

With the reserve that is expected of the families of top Soviet leaders, Mrs. Gorbachev declined to say where she grew up in the Soviet Union, saying only that she was

from Russia. "Russia — that is my homeland," she said. "I am from Russia. Everything that Russia has, I share."

Revolution's 70th Year

Francis X. Clines of The New York Times reported from Moscow: The Soviet Union celebrated its 70th anniversary with a martial parade of the old trappings of the Bolshevik Revolution and the new watchwords of the revolution's latest leader, Mikhail S. Gorbachev.

"Democracy, restructuring, speedup" was proclaimed in giant Cyrillic letters near a vivid red banner depicting Lenin and looking resolutely upon the Red Square festivities as Mr. Gorbachev led the nation into its eighth decade.

Old machine-gun carriages drawn by four-horse teams — the *tachankas* of revolutionary times — rattled across the cobbled square in counterpoint to the modern Red Army's wheeled rocket launchers.

The rhetoric of the day ranged from hopeful anticipation of Mr. Gorbachev's summit meeting in Washington next month with President Ronald Reagan to a stern vow to keep the nation so militarily prepared that "no one would dare disrupt its peaceful life."

Both points were made by the main speaker at the two-hour parade, Defense Minister Dmitri T. Yazov.



Cavalrymen in uniforms similar to those worn during the Bolshevik Revolution parading Saturday through Red Square.

U.S. Officials Prepare Way For Arms Bill

By Michael R. Gordon
New York Times Service

WASHINGTON — White House officials and congressional leaders have worked out the basic elements of a compromise over arms control issues that until now had placed the two sides on a collision course, according to administration and congressional officials.

The compromise would remove a major barrier to the adoption of a new military spending bill of about \$290 billion.

The compromise, which officials said Saturday was still being formalized, would temporarily resolve disputes over adherence to the 1972 Anti-Ballistic Missile Treaty and the unratified SALT strategic arms treaty of 1979.

The question of how to interpret the ABM treaty has put the Congress and the White House at loggerheads. It is also a critical issue separating the United States and the Soviet Union in their efforts to conclude a treaty reducing long-range arms.

The Senate has adopted an amendment that would block the administration from acting on its "broad" interpretation of the ABM treaty for two years without the approval of Congress. The House has passed a similar amendment.

President Ronald Reagan has threatened to veto legislation that would prevent him from acting on the administration's "broad" view, which would allow an expanded pattern of testing for space-based anti-missile defense.

Under the reported compromise, the Congress would stipulate that funds approved for the 1988 fiscal year would be only for the current schedule of Strategic Defense Initiative tests, all of which conform in the traditional restrictive interpretation of the ABM treaty.

Funds could not even be used to buy hardware for possible future tests that would go beyond this schedule and that would violate the strict interpretation of the treaty.

But the legislation will not affirm the traditional interpretation, and the issue will have to be faced again next year.

Officials said an accommodation had also emerged on the issue of the 1979 strategic arms treaty which was never ratified by the

Senate. Mr. Reagan has ended American adherence to the treaty and threatened to veto legislation that would compel the United States to adhere to it.

The Senate and the House have passed amendments that would compel American adherence to a main treaty limits as long as the Russians observe those limits.

Under the emerging formula, Congress would require the administration to withdraw an old Poseidon submarine from service in the fiscal year instead of overhauling it so that it could be sent out to sea.

This would result in an estimated saving of \$110 million. But no reference would be made to the 1979 treaty.

This move would not bring the United States into compliance with the 1979 treaty's limits because it would not completely compensate for the deployment of bombers carrying cruise missiles, congressional experts said.

■ Soviets Focus on Treaty
Philip Taubman of The New York Times reported earlier from Moscow:

Senior Soviet officials said Saturday that high-level attention would be required to resolve remaining technical differences in a treaty to eliminate intermediate range missiles.

Yuli M. Vorontsov, first deputy foreign minister, said he and other Soviet officials would be involved in ironing out unresolved issues about verifying compliance with the accord, which Mikhail S. Gorbachev and Mr. Reagan are expected to sign in Washington next month.

Foreign Minister Eduard A. Shevardnadze said he might meet again with Secretary of State George P. Shultz to make final preparations for the summit meeting, which is scheduled to begin Dec. 7.

"Another meeting is possible," Mr. Shevardnadze said.

These and other top officials, speaking with Western reporters at a Kremlin reception, said they did not anticipate that any of the outstanding issues would pose a serious obstacle to concluding the treaty in time for Mr. Gorbachev's visit.

They suggested that high-level intervention would be needed to bring the two sides together in Geneva, where Soviet and American negotiators are drafting the treaty.

During the reception, Boris N. Yelstin, a non-voting member of the Politburo who threatened to resign as head of the Moscow party organization, stood apart from his colleagues, seemingly ill at ease. There were prolonged periods when no one spoke to him.

Mr. Yelstin stunned a meeting of the Central Committee on Oct. 21 by complaining that the pace of change was too slow and threatening to leave his Moscow post.

Getting Ready for the Next Disasters In San Marino, Planning for Atomic or Chemical Trouble

By Barry James
International Herald Tribune

San Marino, a diminutive republic that does not have an army, a nuclear power station or even a chemical plant, is staging the world's first international symposium on how to manage the after-effects of a major nuclear or toxicological disaster.

With the accident at the Chernobyl nuclear plant in the Ukraine 18 months ago clearly in mind, 120 doctors and health professionals are attending the course in the republic's mountain-top capital southwest of Rimini, Italy.

Dr. William Gunn, vice president of the organization responsible for the course, the newly created European Center for Disaster Medicine, said the plan was to set up an international body of professional experts who could quickly respond if a catastrophe such as the Chernobyl accident occurred in Western Europe.

Dr. Gunn said that until now there had been little in the way of

preparations for disasters on a cross-border scale.

"These things will happen," he said in a telephone interview. "You hope they won't, but you must be prepared for them all the same. For this, you need knowledgeable people."

With no nuclear pretensions of its own, and no polluting industries, San Marino, an independent country of 24,000 people entirely surrounded by Italy, was a suitable neutral place to establish the center for disaster medicine last year.

"This is a small country that thinks big," said Dr. Gunn, a Canadian surgeon who until recently was director of emergency relief operations at the World Health Organization.

The center was established under the auspices of the 21-nation Strasbourg-based Council of Europe, and the decision to run a symposium specifically dealing with nuclear and toxicological disasters was made after a meeting of environment ministers from France, Greece, Italy, Luxembourg, Malta, Portugal, Spain and Turkey.

During a three-week period, professionals at the course are attending lectures and participating in role-playing workshops designed to develop their powers of making life-and-death decisions during a catastrophic disaster.

Part of the process is learning triage, the process of sorting the survivors who have hope of living from those who do not, and the lectures included one on ethics by a

professor from the Pontifical Academy of Sciences in Rome.

"For a doctor trained to look after one patient at a time and give all in save human life, it is hard to consciously let someone die in order to concentrate on someone who has a better chance to live," Dr. Gunn said. "Some doctors find this extremely stressful, but it is something that cannot be ignored."

Some of the people attending the course went on their own initiative; others were sent by hospitals or university medical facilities and some were sponsored by national civil defense organizations.

Some participants have relevant background, such as a specialty in nuclear medicine, or disaster experience gained during the Ethiopian drought. But none have undergone previous training in large-scale disaster management.

Dr. Gunn said the course was the first of its kind and was likely to be repeated next year. He said that events such as the Chernobyl accident or the pollution of the Rhine River by a Swiss chemical company in November 1986 had international ramifications, yet showed "a total lack of preparedness" to deal with catastrophic events on an international scale.

"For the first time," he said, "there will be a body of people who will be able to speak to one another across frontiers under disaster conditions. We hope this course will have a snowball effect — that these people will go home and train others."

Once a list of such experts has been established, it will be given to organizations such as the World Health Organization and the United Nations Disaster Relief Organization.

"The international organizations do have standing teams that can be rushed to disasters," Dr. Gunn said. "That is why we are interested in creating a bank of trained people who would be available in the event of a major crisis. During normal times, they would continue doing their normal jobs."

The desk diary that picks up and goes with you

Half your life's story — or even more — is inscribed on the pages of your desk diary. Yet when you travel or go to meetings, most desk diaries are too cumbersome to take along.

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Diary measures 22 x 15 cm (8.5 x 6 in.), fits easily into the slimmest attache case, and has gilt-metal corners, gold page-edges and elegant French blue paper. Personalized with gilt initials on the cover, it's a genuine gift for friends, business contacts and associates. (Note that quantity discounts are available.)

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Herald Tribune

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White House Reported Set To Bend on Tax Increase

WASHINGTON — The White House is reported to be ready to bend on a tax increase that has been a major focus of the administration's economic program since it took office in January. The report comes as the House of Representatives is expected to pass a bill to raise the top marginal rate on income tax from 50 percent to 55 percent next year.

The White House has long opposed the increase, arguing that it would hurt the economy and that the administration's goal is to reduce the deficit through other means. However, the report suggests that the administration is now more open to the idea, particularly as the House moves forward with the legislation.

The bill, which would raise the top rate to 55 percent for individuals with taxable income over \$200,000, has been a major point of contention between the White House and the House. The White House has argued that the increase is unnecessary and would be inflationary.

Despite the White House's opposition, the House has passed the bill several times in the past few years. The current version of the bill is expected to pass in the coming weeks, and the White House is now being reported to be more flexible on the issue.

The White House's change in position is seen as a sign of pragmatism. The administration is facing a large budget deficit, and the tax increase is a key part of the House's plan to reduce it. The White House may be willing to accept the increase as a necessary step to address the deficit.

The bill is part of a larger package of tax and budget reforms. The White House has been working to negotiate a deal with the House, but the tax increase has been a major sticking point. The report suggests that the White House is now more willing to compromise on this issue.

The White House's new stance on the tax increase is a significant development. It shows that the administration is willing to consider measures that it previously opposed, in order to address the country's economic challenges. The House's bill is a major step in the process of reducing the deficit, and the White House's flexibility is a positive sign.

The White House's reported willingness to bend on the tax increase is a key development in the current political and economic landscape. It shows that the administration is taking a more pragmatic approach to addressing the deficit, and is willing to consider measures that it previously opposed. The House's bill is a major step in the process of reducing the deficit, and the White House's flexibility is a positive sign.

مكتبة التراث

White House Reported Set To Bend on Tax Increase

By Jonathan Fuerbringer
New York Times Service

WASHINGTON — Treasury Secretary James A. Baker 3d has told congressional budget negotiators that he is ready to discuss a substantive package of tax increases but that in return he wants a commitment from Democrats on how much domestic spending they are willing to cut, according to participants in the talks.

Mr. Baker, who did not mention specific tax increases, made his offer Friday, partly in an effort to move the Democrats toward an agreement, the officials said.

But they also said Mr. Baker's offer reflected his new effort to press for an agreement as quickly as possible to allow U.S. allies, especially West Germany, that the Reagan administration was working to reduce the federal budget deficit, which was \$148 billion in the fiscal year ended Sept. 30.

The officials said pressure from the administration to forge an agreement quickly had made it unlikely that the House, the Senate and the White House could produce a proposal that would save significantly more than their minimum goal.

The talks, which began two weeks ago, are aimed at producing a package of tax increases and spending cuts that would reduce the budget deficit for the fiscal year 1988 by at least \$23 billion. Without a compromise, \$23 billion in spending cuts, half of them in the military budget, would go into effect automatically on Nov. 20 under budget-balancing law.

House and Senate Democrats appeared to be caught off guard by the proposal of a \$30 billion deficit-reducing package by House Republicans, with the general backing of the White House.

The talks will resume Monday when the Democrats will continue to review the Republican proposal.

Mr. Baker has been criticized in some quarters for his handling of economic policy before and after the stock market plunge of mid-October that increased pressure to reduce the budget deficit and brought about the negotiations.

He shifted policy last week as the United States decided to let the dollar continue to fall in world markets and let interest rates decline to lessen the possibility of a recession.

One official said he was worried that Mr. Baker might be willing to accept a proposal that was not as tough on spending cuts as he would normally want just to reach an agreement soon.

"Jim Baker badly wants a deal, any deal, that he can show to the Germans and our allies," said an official involved in the talks.

While the discussions had touched on a proposal to limit to 2 percent the cost-of-living increases for Social Security and other federal programs, which would be one of the main ingredients in any major package, several officials said they did not think it was possible to reach a compromise on such a plan.

Representative Thomas S. Foley of Washington, the House majority leader and the Democrats' lead negotiator, said that any cut in Social Security was not a part of the negotiations.

But Senator Lloyd Bentsen, Democrat of Texas, one of the negotiators, said he still thought there was a chance for what has become called a "mega" plan, one that would save significantly more than \$23 billion in 1988 and much more in 1989.

Court Rebukes Counsel Handling Iran-Contra Affair

Washington Post Service

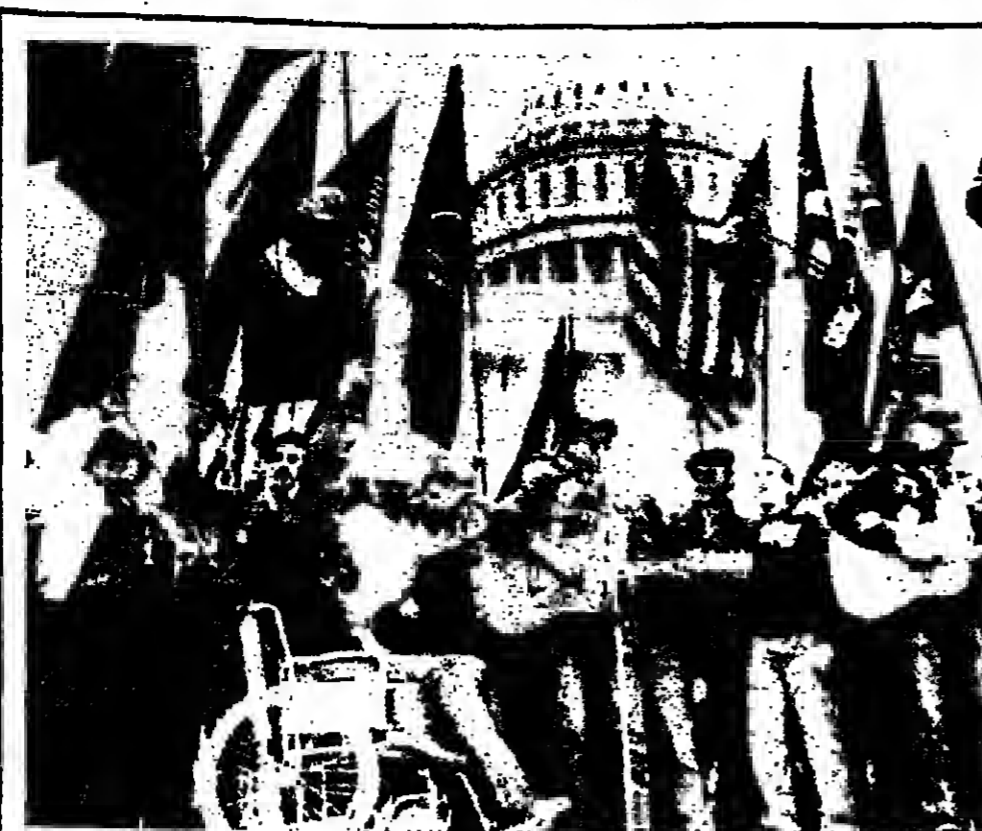
WASHINGTON — In a sharp rebuke to Lawrence E. Walsh, the independent counsel investigating the Iran-contra affair, a federal appeals court has dismissed a contempt citation against an arms dealer, Albert A. Hakim, for refusing to surrender the records of eight foreign companies linked to the affair.

Handing Mr. Walsh his first court defeat, a three-judge panel of the U.S. Circuit Court of Appeals held Friday that a lower court had erred in rejecting Mr. Hakim's Fifth Amendment claims that he might incriminate himself by complying with a grand jury subpoena for the records.

The 32-page ruling sent the case back for further hearings in U.S. District Court, where Judge Anthony E. Robinson Jr. ordered Mr. Hakim jailed for civil contempt on July 30. Mr. Hakim's appeal stayed the execution of the order.

The appeals court judges said Judge Robinson was wrong in holding that he could enforce the subpoenas simply because he had personal jurisdiction over Mr. Hakim. In remanding the case for further hearings, the panel said that Mr. Hakim "must show that the district court has personal jurisdiction over each of the companies whose records it seeks."

Mr. Hakim, one of four publicly named targets of Mr. Walsh's criminal investigation, served as financier and negotiator for many phases of the U.S.-Iran arms-for-hostage schemes. He played a key role in setting up Swiss bank accounts as a repository for the arms sales profit.



PRELUDE TO VETERANS DAY — Vietnam veterans gathering on the steps of the Capitol building in Washington to press their concern about soldiers still unaccounted for from the Vietnam War. Veterans Day is celebrated on Nov. 11 in the United States.

Nighttime Jogging Revives Central Park

More joggers than muggers are frequenting Central Park in Manhattan these nights. Fred Lebow, president of the New York Road Runners Club, which organizes group runs in the park three nights a week, says there is safety in numbers. He told The New York Times that the park is enjoying a "renaissance" and is much safer than it was a decade ago.

Statistics bear him out. As of July there had been two murders in Central Park this year, compared with one last year during the same period, according to a police spokeswoman. But robberies declined 12 percent and grand larceny 21 percent in the first seven months of this year. There was one rape fewer than the seven reported last year. She said few of the incidents involved runners.

"No one robs people running around in their underwear," the parks commissioner, Henry J. Stern, says. "If they are accosted they can outrun their attackers. They are difficult quarry."

Even so, runners say they are

AMERICAN TOPICS

careful. Many refuse to wear stereo headphones at night, unlike their daytime counterparts. Many run with partners or in groups. Jacqueline Lebow, 26, a buyer for a department store, uses a trick her grandmother taught her. For protection, she places one key between each finger until she has created a claw of keys.

The bicycle once seemed the environmentalist's dream: no pollution, no traffic jams. Then came the heavy-framed, fat-tired mountain bike with 15 gears or more. The Washington-based Bicycle Federation of America says the number of such bikes has grown from 200,000 in 1983 to 2.6 million in 1986 and will double again this year. Complaints also are multiplying about bikers speeding, raising dust, crowding hiking and horseback trails and ruining vegetation. The bikes have been banned or restricted to fire roads on public parks and trails in California, Colorado and elsewhere.

Model apartments typically cost \$30,000 to \$80,000 to decorate and furnish, but are considered indispensable by the builders of new condominiums and by potential customers. Some people are even interested in buying model apartments. The New York Times reports they might be newly divorced, or simply out-of-towners seeking a pied-a-terre. "If you like to decorate, I guess you don't buy a model," said Randy Seltzer, 31, a bus-

nessman who moved into a Manhattan model apartment in January and has changed it very little. "I brought a toothbrush and clock with me," he said. "That's about it."

Notes About People

Representative Patricia Schroeder, the Colorado Democrat who coined "Teflon president" to describe Ronald Reagan, says the current Wall Street market is neither bull nor bear, but a kangaroo that jumps up and down. "Kangaroos are tough, resilient and adaptable to fire roads on public parks and trails in California, Colorado and elsewhere."

Buddy Rogers, 83, told a Washington audience at a revival of his 1927 hit film "Wings" that Clark Gable warned Mary Pickford, "America's Sweetheart" of the silent film era, not to marry Buddy, who was 11 years younger. Gable said it would not last. It lasted 43 years, until Mary's death in 1979.

—ARTHUR HIGBEE

U.S., in Shift, Ponders Direct Talks With Nicaragua

By John M. Goshko
Washington Post Service

WASHINGTON — The United States is considering direct talks with Nicaragua about Central American security issues. The development follows the Sandinist government's agreement to discuss a cease-fire with U.S.-backed contra rebels through an intermediary.

An earlier nine-round series of discussions in Manzanillo, Mexico, was broken off by the United

States in 1984. U.S. officials have said since then that they would not deal directly with the Sandinists until Managua agreed to open communications with the contras.

However, U.S. officials said Saturday that the United States is re-assessing its position in light of President Daniel Ortega Saavedra's announcement last week that he would ask his country's Roman Catholic primate, Cardinal Miguel Obando y Bravo, to act as an inter-

mediary in indirect talks with the contras about implementing the cease-fire called for under the five-nation Central American peace agreement.

Nicaragua signed the agreement, which was implemented last week and is supposed to be fully in effect by Jan. 4.

Sandinist radio said Saturday in Managua that Mr. Ortega is to visit the United States on Wednesday for a meeting of the annual Organization of American States assembly. There was no indication that he would meet with senior U.S. officials.

U.S. officials stressed that before the Reagan administration responds to Mr. Ortega's call for direct U.S.-Nicaraguan talks, Managua's dialogue with the contras must begin, and show signs of being serious. In the meantime, officials have indicated that they are holding off until January on a request of \$270 million in military aid for the contras.

Even if all conditions are met, the officials said, the United States has not made decisions about the format, content or timing of any talks with Nicaragua. In particular, the officials continued, Washington wants to consult closely with the four other countries that are parties to the regional peace agreement: Costa Rica, Honduras, El Salvador and Guatemala.

The officials noted that some of these countries, in particular Honduras and El Salvador, have expressed concern that the United States might reach an agreement with Nicaragua resolving its concerns in the region but not those of neighboring countries.

The United States has expressed particular concern about Nicaragua's military and political ties with Cuba and the Soviet Union and wants commitments that Nicaragua will not receive fighter planes and other advanced weaponry.

The Central American countries are more concerned about such is-

suues as the size of the Nicaraguan armed forces and the logistical and other assistance it extends to leftist guerrillas in neighboring countries.

According to the officials, the consultations with the other four Central American nations will begin this week during the OAS assembly, which is to open Monday. Foreign ministers of all four countries will attend the assembly and the officials said it would be the logical place for high-level talks that would include Secretary of State George P. Shultz and other U.S. officials.

After the signing of the peace agreement in Guatemala on Aug. 7, Mr. Ortega rejected the idea of negotiating with the contras and demanded direct talks with the United States, asserting that Washington controls the contra movement.

His government changed its position only after heavy pressure from leaders of the four other countries.

Some Sandinists Balk At Overtures to Contras

By Julia Preston
Washington Post Service

MANAGUA — The proposal by President Daniel Ortega Saavedra of Nicaragua for indirect cease-fire talks with U.S.-backed rebels through an intermediary has drawn praise in many quarters of Central America, but not in his own country.

Scant press coverage of the unexpected announcement, made to meet a deadline for implementation of a Central American peace plan, hinted at the heat that Mr. Ortega is taking within the Sandinist National Liberation Front for his decision.

The official Sandinist newspaper Barricada devoted two and a half pages to the Thursday speech, in which Mr. Ortega announced that the government would seek to arrange a nationwide cease-fire with the rebels, or contras, through indirect talks. But the newspaper devoted only one paragraph to the new dialogue.

On Saturday morning Barricada reported on its front page that Mr. Ortega had met Friday with Cardinal Miguel Obando y Bravo to ask the prelate, a staunch critic of the Sandinists, to serve as the intermediary in the talks. But the article did not mention with whom the dialogue would be held.

Elsewhere in the region, though, the response to Mr. Ortega's announcement was favorable. President Oscar Arias Sanchez of Costa Rica, who authored the peace plan and won the Nobel Peace Prize as a result, called the indirect cease-fire talks "a positive gesture" that has made him "more optimistic than ever" about the success of his peace plan, signed on Aug. 7 by the presidents of five Central American countries.

"The main obstacle to peace is intransigence," Mr. Arias said, "and Ortega has demonstrated he has the necessary flexibility."

According to diplomats and government officials in the region, Mr. Ortega had the backing of most

of the key members of the nine-member Sandinist National Directorate. A West European official, who met for two hours with Interior Minister Tomás Borge Martínez the day before the announcement, said Mr. Borge already was aware of, and supported, Mr. Ortega's decision to open an indirect dialogue with the contras.

The decision was momentous for the Sandinist government because it conferred new legitimacy on the contras. Before this week, the Sandinists had dismissed them as mercenaries and demanded bilateral talks with Washington.

Mr. Ortega's announcement was an indication of the extensive risks he is willing to take to keep alive the peace process, which could bring an end to U.S. funding for the rebels.

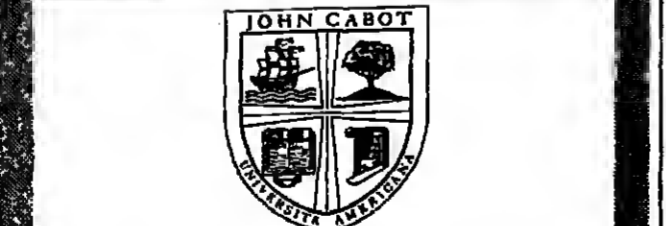
One Sandinist leader who seemed taken aback by Mr. Ortega's speech was Bryardo Arce Castro. Mr. Arce, who attended the speech along with about 30,000 other Sandinist supporters, grizzled in front of television cameras as Mr. Ortega made the announcement.

However, Mr. Ortega's main problem appears to be not with the Sandinist leadership but with the rank and file, and partly it may be a problem of his own making.

In the past two weeks, the Sandinists have mobilized grassroots organizations around a political line adamantly rejecting what they called a "political dialogue" with contra leaders. The Sandinist leadership tried to make the distinction between power-sharing negotiations, which it continues to reject, and the proposed indirect cease-fire negotiations.

But the distinction was apparently too fine for soldiers, mothers of fallen Sandinist fighters, feminists and other do-or-die followers. Their silence about the contra talks began the moment Mr. Ortega announced them in his speech and has continued ever since.

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BRIEFS

Thailand Air Crash
Eight of a Thai Airways plane on board in August followed a 10-minute conversation published in a newspaper on Friday and confirmed a conversation between the Thai pilot and a Thai Airways pilot on Friday and confirmed.

Clear, Judicial Issues
The Supreme Court on Friday began voting Sunday in five reform cases. The court is expected to announce a majority of voters in the various issues. The Socialist Party, the second largest in the House, is a sponsor of the reform and the necessary inertia on the issues. A referendum could make judges more independent. If judges are convicted, voters will be asked whether they should be allowed to continue to receive subsidies to the towns where they live. They should cease participating in politics. The court is also expected to rule on the prospect of making a permanent court for alleged offenses in India.

Beat After India
Prime Minister Rajiv Gandhi with President Junus R. Jayewardene on how to end the civil war in Sri Lanka. However, he was satisfied with the agreement before leaving India that the war would end. He referred to the decision as a change in legislation in Sri Lanka to end fighting by Tamil rebels. He said differences between the two sides were of the Jaffna Peninsula. He was posted to Sri Lanka to discuss the July 29 accord, which he had in exchange for Sri Lanka's withdrawal from the northern and eastern parts of the island.

Moves Mayor as Direct
The General Conference has voted to elect Mayor Zaragoza, a former Spanish minister, as the new mayor of Madrid. The 53-year-old biochemist said he would leave the United States and return to his native Spain. He was elected in a year after protesting that the United States had a "poor" record in the Middle East. Supporters outnumbered those of the incumbent, Mayor Enrique Barón Crespo, by a 30-20 vote. Barón Crespo's embittered supporters to seek a runoff in the General Conference. Those who support the Arab bloc threw its 20 votes to Barón Crespo.

Organization
The organization opened a two-week election of directors. Eight men, including a former member of the United States and British governments, were elected to the 15-member board. The organization was founded in 1978 after protesting that the United States had a "poor" record in the Middle East. Supporters outnumbered those of the incumbent, Mayor Enrique Barón Crespo, by a 30-20 vote. Barón Crespo's embittered supporters to seek a runoff in the General Conference. Those who support the Arab bloc threw its 20 votes to Barón Crespo.

VEL UPDATE

Flight Service Set for
The American World Airways will fly a joint Moscow-New York service. Charles Aker, said in an interview with the press. The flight will be operated by a Boeing 747 bearing the name of the airline. The flight will start on May 15. Mr. Aker said the airline has agreed to talks earlier this year.

30 percent
of the 161,000 tourists who visited the island in 1987 were from the United States.

Days
of services will be closed or their hours reduced and their dependence on the island's economy.

Passengers
on the flight will be limited to 100 passengers.

Government
has agreed to a plan to increase the number of flights to the island.



INTERNATIONAL Herald Tribune

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Devaluing the Dollar

A Way to Buy Time

If push comes to shove, says Treasury Secretary James Baker, Washington will not raise interest rates to protect the value of the dollar.

Japan and West Germany must stimulate domestic demand, allowing their economies to operate at capacity without spewing hundreds of billions of surplus capital into the American market.

Part of the Solution

Now that the dollar is falling, how far down is it going to go? There is no reliable way to forecast that, for the process is hard to control and the foreign exchange market has a notorious tendency to overshoot.

Although sensible, this calculation is no substitute for curbing U.S. fiscal profligacy and correcting the allies' misplaced conviction. West Germany's reluctant decision to reduce interest rates is only a shuffle in the right direction.

With U.S. federal deficits absorbing \$1.5 trillion in savings during the 1980s, America depended on foreigners to provide much of its economy's capital. Now the party is over.

At best, dollar depreciation is a tactic for buying time. The United States made its way through the 1980s saving too little, while West Germany and Japan saved too much.

The Filipinos' President

Is President Corason Aquino of the Philippines up to her job? That question comes a short year after she was hailed as a political messiah.

Recent British experience makes that point clear. Beginning in 1967, Britain repeatedly turned to devaluation of the pound to try to get its economy moving faster.

For the last few years, America's agenda has been consistent. The Reagan administration would say, if Bonn and Tokyo agree to take up the economic slack.

Assuming that a budget agreement is reached, the United States will be screaming for the allies to ante up. If Bonn and Tokyo don't oblige, they may precipitate a major crisis.

—THE WASHINGTON POST.

made thousands of new Communist recruits. No sooner did the myth of Marcos as savior begin to yield to facts than a new one arose.

In celebrating her "people power" victory, scant attention was paid to the implications of military mutiny, weakening a tradition of obedience to civilian control.

—THE NEW YORK TIMES.

Other Comment

Congress, Too, Is at Fault

The demand is for Mr. Reagan to show "leadership," as if he were the only person who mattered in Washington.

sacrifices" endured by Mr. Bourguiba "for the liberation of Tunisia and its development." Mr. Bourguiba's ouster is unlikely to lead to notable changes in foreign policy.

An announcement over the radio of the removal of a head of state by his number two is not in itself an event that the democracies can be pleased with.

—Le Monde (Paris).

Bourguiba's Line Endures

In his statement on Radio Tunis, the successor of Habib Bourguiba, Zine el-Abidine Ben Ali, paid tribute to the "enormous

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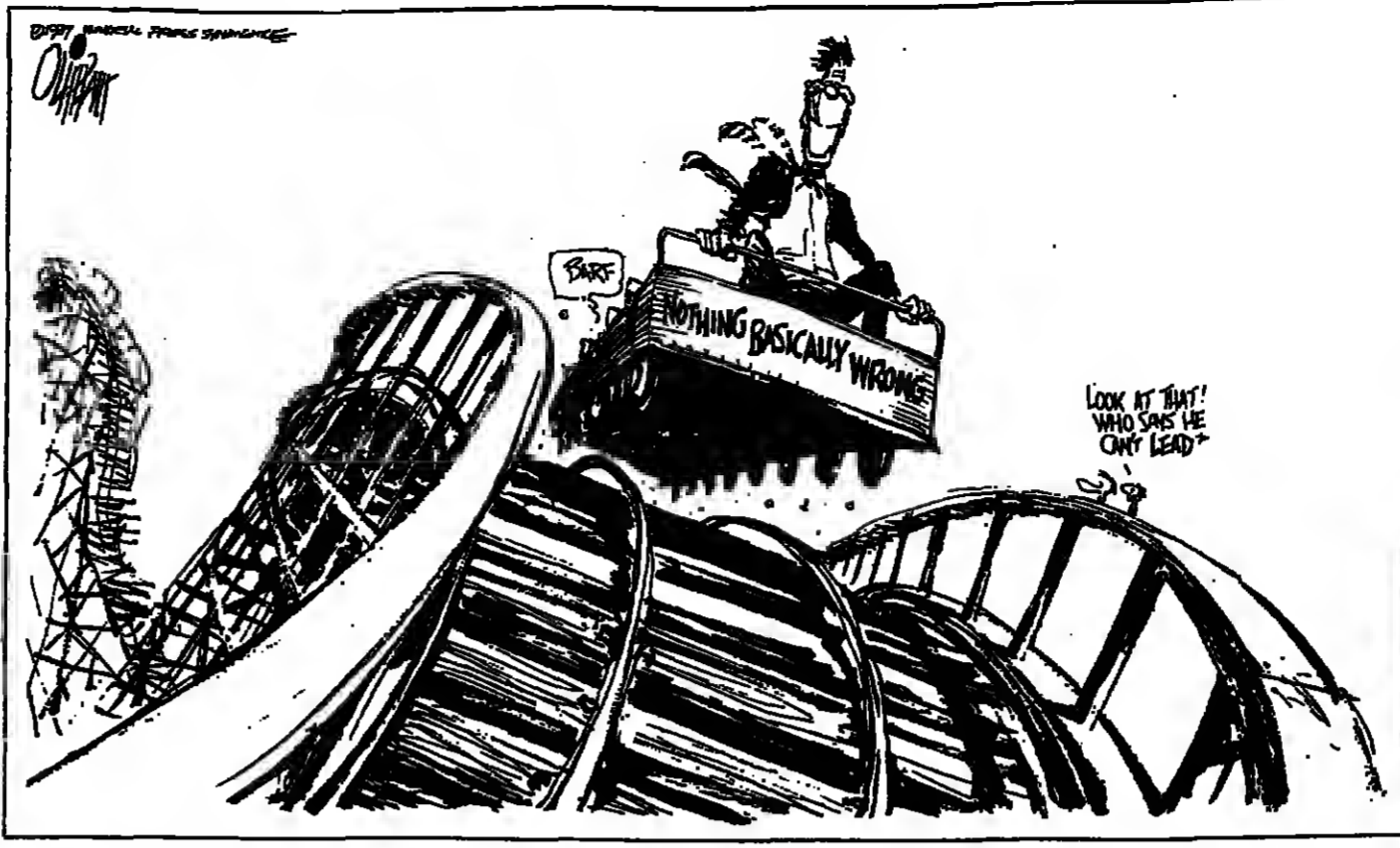
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OPINION



Don't Take International Cooperation for Granted

By Jeffrey E. Garten

NEW YORK — As the panic on Wall Street fades, another crisis is brewing, this time between Washington, Bonn and Tokyo.

an one's preferred outcome, but here is why it could happen anyway. First, there is a strong feeling in Bonn and Tokyo that their policies have been right and Washington's wrong.

issue facing the next U.S. administration is not whether to share financial, trade and security burdens more evenly with the allies, but how to do it — fast.

Last week's moves by West Germany and Japan to cut interest rates are welcome, but more significant reductions will be necessary.

Second, neither government trusts Washington. They believe that its idea of cooperation is to mount a bailout effort only when America is in trouble.

The recent interest rate cuts will not convince the markets, which have seen such accords break down before the ink dried.

Beyond the cosmetic quick fix, the prospects for effective cooperation do not look good. Since the late 1970s, in fact, global economic cooperation has been a miserable failure.

Third, the current objectives of the three countries are incompatible. The United States wants growth to offset the crisis, while the West German and Japanese governments support some inflation in the process as well as a declining dollar.

In the end, there is little that Washington can do if Bonn and Tokyo stone wall — at least little that won't hurt America, too.

For the last few years, America's agenda has been consistent. The Reagan administration would say, if Bonn and Tokyo agree to take up the economic slack.

There has been during the last 30 years a not so implicit debt. The United States has borne the defense burden. In return, the allies have supported its version of an open world economy.

The writer, a New York investment banker, was deputy director of the State Department policy planning staff from 1976 to 1978. He contributed this comment to The New York Times.

Good Old Free Trade? But the Game Has Changed

By Gregory Clark

TOKYO — The General Agreement on Tariffs and Trade has just celebrated its 40th anniversary.

to move to cars and C to produce textiles. Everyone is better off. But what happens if the "back ward" people in country B manage to develop a work and productivity ethic superior to that of A?

of semiconductors can tell you, manufacturing costs fall drastically with volume. This is true not just for individual firms but for whole industries and even for countries.

The fallacy is more cultural than economic. Forty years ago the world seemed a very simple place: The West was industrially advanced; the rest of the world lagged badly behind.

In this situation, the logic of free trade is not so obvious. It allows country B to take over production of not just cars but computers, too, while C moves into textiles.

For example, it is likely that the U.S. technology lead in semiconductors could have offset the advantage the Japanese have in production technology.

It seemed obvious that the work and productivity ethic developed by the Western peoples, specifically the North European and North American peoples, was the ultimate that mankind could aspire to.

The free trade theory is that it takes no account of diminishing costs. The earlier that Western Europe had suffered a similar fate in a range of electronic goods industries.

Before they start to think about having to compete with India and China in textile production, there is something else the United States and Western Europe could do.

It is an exceedingly difficult challenge, which Americans should not make more so by oversimplification and inactivity.

—THE NEW YORK TIMES.

A Strange Way to Strengthen the Court

By Anthony Lewis

BOSTON — The collapse of another Supreme Court nomination tells much about Ronald Reagan.

effectiveness. Here as elsewhere the Reagan record is one of hypocrisy. Millions of Americans have tried marijuana, and it would be preposterous to make that a general test of worthiness in society.

How could a president who talks about the need for law and order order pick as a Supreme Court nominee someone who illegally used marijuana when he was a law professor?

There are many proposals by government bodies and private companies to make employees take drug tests, proposals that are being fiercely resisted as illegal searches and invasions of privacy.

The questions are not hard to answer. President Reagan was interested in only one thing when he made his choice for the Court: stuffing a conservative down the throats of the senators who had defeated Robert Bork.

The defeat of Judge Bork drove the radicals of the extreme right into a frenzy. They could not bear the true meaning of the defeat: that the country rejected their desire for a wizenred constitution and weakened judicial protection of individual rights.

How could a president who has proclaimed the war against drug abuse fail to be informed of that easily discoverable fact about his nominee?

Compare how another conservative president acted. Herbert Hoover had a seat to fill on the Supreme Court in 1932. He had suffered an earlier defeat. Now he chose a judge of luminous reputation: Benjamin N. Cardozo of New York. Mr. Hoover made the appointment although there were already two New Yorkers on the Court, and another Jew. He put the merits above politics.

The White House chief of staff, Howard Baker, counseled selection of a conservative whose qualifications would assure easy confirmation.

President Hoover, for all his troubles, respected the Supreme Court as an institution. Mr. Reagan plays with it for his political ends.

—THE NEW YORK TIMES.

Same Facts, A Different Message

By Jim Hoagland

PARIS — Language has replaced fact as the central component of truth. Bombarded with distant and often unrelated facts, citizens are both prey and accomplice to politicians who can organize any given set of facts into a coherent "truth" that makes them more comfortable.

The speech was an opportunity to reassure Europeans concerned about Mr. Reagan's handling of nuclear strategy. He seemed aware that his apparent ambivalence to the use of nuclear weapons to deter the Soviet Union and its Warsaw Pact allies from attacking NATO had disturbed citizens and officials in Europe.

It is not that Mr. Reagan changed his position in this speech, but that he used the USA's Worldnet satellite system to American embassies and broadcast on Voice of America radio, in order to please a new audience. He did not. What he did was to take the same set of facts that he uses when he tells American audiences about the immorality and inherent evil of nuclear weapons and use them to support the case for continuing nuclear deterrence for as long as possible.

One went over his earlier condemnations of nuclear weapons as an evil that must be abolished. He did refer to his promises to the American public to make nuclear missiles obsolete by setting up a space-based screen of defenses. The Strategic Defense Initiative, only scant mention in the 22-minute address.

Instead he declared that the forthcoming missile treaty would actually "ensure the credibility of our deterrent" rather than weaken it. He welcomed projected significant increases in the nuclear arsenals of France and Britain, perhaps suggesting that something these wily old Europeans have found a way to make nuclear weapons that are not evil. We warmly praised European efforts to expand conventional military cooperation.

I am sure the intention was to reassure the Europeans. But I fear that to the extent that it has any impact — it was little noticed in the press in France — the speech will add to the confusion about what President Reagan really thinks about nuclear deterrence and what he plans as the next steps after the medium-range missile treaty.

That question has already created bitter divisions in Bonn, divisions that will have been exacerbated by the one change in U.S. policy that Mr. Reagan did signal. He deliberately ended the ambiguity put into the formula adopted at the Reykjavik NATO foreign ministers' meeting last June to keep fuzzy the question of when negotiations on battlefield nuclear weapons would begin. A phrase that confirmed that Vice President George Bush had presaged a hardening of U.S. policy on this point in press conference remarks in Paris last month, he said that "existing imbalances in conventional forces and chemical weapons must be redressed prior to any further nuclear reductions in Europe."

This means that the hopes voiced by West German Foreign Minister Hans-Dietrich Genscher and even by members of the more conservative wing of Chancellor Helmut Kohl's Christian Democratic Union to get negotiated cuts in short-range nuclear weapons that will in all likelihood only be used on German soil now recede into the distant, distant future, much to the satisfaction of Defense Ministry officials in Bonn, Paris and London.

That Mr. Reagan made the speech at all is an interesting sign about the growing impact of foreign opinion in America as the presidential campaign gears up. That is one of the consequences of becoming the world's largest debtor nation. The election in 1988 could be the one in which Americans say goodbye forever to the treasured notion that their national leadership contest is decided almost exclusively on domestic issues, with small regard to what the rest of the world thinks.

The most spirited moment of the Houston debate of Republican candidates came in the verbal outburst between Mr. Bush and Al Haig, who argued about whether European leaders favored the Soviet-U.S. missile treaty (Mr. Bush's view) or not (Mr. Haig's charge.) Here was a previously mind-boggling thought on full view of an American television audience, for the Bush-Haig argument suggested that the candidates, and thus American voters, should actually care what Europeans think about anything.

The Washington Post.

100, 75 AND 50 YEARS AGO

1887: Murder in Ireland

DUBLIN — Murder outright seems to be the latest order of the Irish League. A despatch from Tralee tells a story of a farmer named Quirke, who had encountered the animosity of a wizenred tenant, as he had redeemed the farm of an evicted tenant.

1937: Britain and Spain

LONDON — Foreign Minister Anthony Eden tonight (Nov. 8) defended in the House of Commons the British government's proposal to exchange "business agents" with that part of Spain which is controlled by party spokesman who was critical of this new step. To them an exchange of agents is equivalent to de facto recognition of General Franco's government. Mr. Eden based his defense on the ground of technicality. He said Franco controlled over two-thirds of Spanish territory and that many millions of pounds of British capital were invested in this area, chiefly in iron ore, copper and lead mines.

1912: New Life for Plays

NEW YORK — Elizabeth Marbury, an experienced play broker, returned from Europe the other day full of enthusiasm for a new kind of colored moving-picture which she intends to exhibit. The current number of "McClure's Magazine" contains an illustrated article on staging plays for

'Pot' and the

Care and Babbitt

By Michael Specter and James R. D...

WASHINGTON — Two Democratic candidates for President...

Following revelations that...

On Friday, he said in Mobile...

The response to revelations that...

It was too early to tell whether...

Mr. Rabbitt on the stump in...

Madrid and Thai International's

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By Jim Hoagland

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'Pot' and the Presidential Race

Gore and Babbitt Admit Marijuana Use as Young Men

By Michael Specter and James R. Dickinson

Washington Post Service

WASHINGTON — Two Democratic candidates for president...

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beats me." Mr. Babbitt said that he had not used the drug since the 1960s.

Also at campaign events in Iowa on Saturday, Mr. Kemp, Mr. Dole and Mr. du Pont said they had never used marijuana.

In Saturday's editions of the Providence Journal-Bulletin, Mr. Pell, 68, the chairman of the Senate Foreign Relations Committee, said he tried the drug "many years ago" when he "took several puffs of a marijuana cigarette."

"I didn't like it and never tried it again," he said.

Mr. Gingrich said that he had used marijuana only once, and that it did not affect him.

"The historical record is that 19 years ago, I used marijuana once at a party late at night in New Orleans," he said, adding: "It didn't have any effect on me."

Mr. Dukakis, Mr. Gephardt and Mr. Jackson said they had never used any illegal drugs.

In Iowa, Mr. Simon said when he was in high school, "I don't think I even had heard of marijuana," adding: "If people wanted to have a wild time they would sneak off with a six-pack of beer." He said he had taken part in that activity.

Following revelations that Douglas H. Ginsburg, President Ronald Reagan's nominee to the Supreme Court, had used marijuana...

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Senator Albert Gore Jr. waving to supporters after conceding that he had used marijuana when he was in college.

ARABS: King Urges Unity

(Continued from Page 1) bargo against the country that fails to comply.

On the Arab-Israeli dispute, Hussein asked for an Arab consensus supporting an international peace conference. He accused Israel and the United States of obstructing the peace process.

"Israel has succeeded in diverting the role of the United States from that of a superpower with a special responsibility for world peace into the role of sponsor of Israel and its interests," he said.

Missile Hits Baghdad

Loren Jenkins of The Washington Post reported from Dubai, United Arab Emirates:

An Iranian surface-to-surface missile struck the heart of Baghdad on Sunday, killing 10 persons and wounding more than 100, an Iraqi military spokesman said.

An Iraqi war communiqué issued Sunday night said the missile hit a "densely populated residential area of Baghdad and a large number of innocent civilians were killed."

Iranian radio, monitored in Dubai, said Iran had fired two missiles at Baghdad, one against the central broadcasting building and the second at another "communications center."

It was not clear from the Iraqi reports what happened to the second missile. Because it was not reported as having hit the city, it might have strayed off course and landed in the countryside.

DRUGS: Judge Seen as Victim of Clash Between Modern Era, Puritan Ethic

(Continued from Page 1)

Common experiences were rock music and dope and the subculture that both spawned. It was a subculture that both spawned the proposition that you could never trust anyone over 30, in Abbie Hoffman's memorable formulation.

"Folks are going to have to get used to this," said Robert G. Beekel, 38, who ran Walter F. Mondale's presidential campaign in 1984. "This is the age of Aquarius growing up."

"There is a certain irony here," in the words of a prominent Republican, age 43, who is close to the Reagan White House. Judge Ginsburg "is too modern. He's been married twice, his wives don't take his name, he smoked a little pot, he ran a computerized dating service — he sounds like a modern American. Are we ready for a modern American on the Supreme Court?"

Many people argued that Judge Ginsburg's marijuana smoking was a "youthful error," in Mr. Reagan's words, that could easily be forgiven.

Joseph R. Biden Jr., Democrat of Delaware and chairman of the Senate Judiciary Committee, said he considered calling a news conference to urge Judge Ginsburg not to withdraw merely on the basis of the marijuana issue.

But Peter Hart, a Democratic pollster, observed that Judge Ginsburg had admitted smoking marijuana not as a student, but as a Harvard professor — "a professor of law" — in his 30s.

Morover, Mr. Hart noted, the incident became a scandal in large measure because the anti-crime, anti-drug Reagan administration had chosen Judge Ginsburg to be a law-and-order Supreme Court justice.

Judge Ginsburg's nomination "was not on real steady legs before this thing," as Robert Teeter, a Republican pollster, said. Questions had been raised about his lack of legal experience, his ownership of

\$140,000 in cable television stock when he was handling cable television matters in the Justice Department, and the lack of knowledge about his views on constitutional issues.

"One thing you need is strong supporters," Mr. Teeter observed, but Judge Ginsburg apparently had none in the Senate. Some of the conservative Republicans who were the strongest backers of Robert H. Bork, Mr. Reagan's first unsuccessful nominee to the court, offered the most direct criticism of Judge Ginsburg last week.

Regardless of the merits of Judge Ginsburg's fate, what happened to him will contribute to a sense that

1987 has been an extraordinary year for writing new rules in American public life.

"This is a bizarre year," said Mr. Biden, one of its victims. "It is going to go down like '68 without the sense of tragedy, but the same sense of the unexpected."

Mr. Biden withdrew from the race for the 1988 Democratic presidential nomination following disclosures that he committed plagiarism during law school.

His academic accomplishments and lifted speech material from other politicians.

The spectacle of a 69-year-old Brahmin, Senator Claiborne Pell, Democrat of Rhode Island, admitting to a dalliance with marijuana symbolizes the new confessional phase in U.S. political history.

Lynn Cutler, vice chairwoman of the Democratic National Committee, observed that dope smoking has become "another small pothole on the way to the presidency. Frankly, I think the whole thing has gone too far."

"Enough is enough," she added. "I've had it with this picking at things that don't matter."

Mr. Biden agreed. "Contribution is not acceptable any more," he observed, complaining that a presidential candidate is expected to endure "open-ended" personal questions "that are contrary to our traditions of civil liberty."

Judge Ginsburg announced his decision only nine days after he was chosen to fill the seat vacated by the retirement of Justice Lewis F. Powell Jr.

The disclosures about Judge Ginsburg embarrassed Mr. Reagan, who had called his confirmation "vital to the fight against crime."

In a brief statement that he read Saturday at the White House, Mr. Ginsburg said, "I have today asked President Reagan not to forward my nomination to the Supreme Court."

He added: "I was looking forward to sharing with the American people my views about justice and about the role of the courts in our society. Unfortunately, all of the attention has been focused on our personal lives, and much of that on events of many years ago."

"My views on the law and on what kind of Supreme Court justice I would make have been drowned out in the clamor."

In public, Mr. Reagan supported his nominee and issued a statement saying that he accepted the judge's decision "with regret."

Behind the scenes, administration officials had concluded that the nomination was doomed, and the judge was privately urged to step aside.

Mr. Ginsburg's withdrawal is the latest in a series of setbacks for the president, increasing the impression in the capital that Mr. Reagan is no longer able to control events as a conservative. As a college student he had dropped out of school to help organize one of the nation's first computerized dating services.

He was married twice, and it was revealed that his current wife, Dr. Hallee Morgan, had performed two abortions while serving her medical residency and had assisted on a third.

The disclosures spurred worries among some lawmakers and activists that Judge Ginsburg might not be as conservative as advertised.

3 Rockets Hit Northern Israel

United Press International

HAIFA, Israel — Three rockets fired from Lebanon landed inside northern Israel on Sunday, causing no damage or casualties, the military said.

COURT: Ginsburg Withdraws and Search Is Under Way for New Nominee

(Continued from Page 1)

and lobbying groups, still smarting over the Senate defeat last month of Mr. Reagan's first choice, Judge Robert H. Bork, are now reeling from the disclosures that led to Judge Ginsburg's withdrawal.

The search is also complicated by factional disputes within the Reagan administration. Judge Ginsburg was reportedly the choice urged on the president by Attorney General Edwin Meese 3d and the ideological faction in the White House.

Administration officials say that among the front-runners to replace Judge Ginsburg is Anthony M. Kennedy, who was backed last time by the White House chief of staff, Howard H. Baker Jr., and other pragmatists whom hard-line conservatives blamed for not working hard enough to prevent the defeat of Judge Bork.

Judge Kennedy, who sits on the Court of Appeals for the 9th Circuit in California, and Judge William W. Wilkins, of Greenville, South Carolina, who sits on the U.S. Court of Appeals for the 4th Circuit, are said to be among the leading candidates.

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For Tunisian Leader, A Rapid Rise to Top

New York Times Service

Zine al-Abidine Ben Ali, the 51-year-old general who on Saturday became Tunisia's second president since it won independence from France in 1956, started out to become an electronics engineer.

Although his interest in electronics and computers remains today, he turned away from engineering at an early age and toward a military and government career in which he advanced rapidly.

Mr. Ben Ali's assumption of the presidency from Habib Bourguiba capped a swift rise through two of the top government positions in slightly more than a year.

By April 1986, he was the interior minister, and by last month, after his central role in the crackdown of Islamic fundamentalists accused of plotting to overthrow the government, he was prime minister.

Enforcing law and order have been keys to his success both in and out of uniform since 1958, when he was appointed to his first security post as director of military security.

From the late 1970s to now, he played an increasingly important role in coordinating military and police actions in clashes between the govern-

ment and unions over unemployment, riots over increases in bread prices, worsening relations with neighboring Libya and growing Islamic fundamentalism.

When Mr. Ben Ali was named to succeed Rachid Sfar as prime minister by Mr. Bourguiba on Oct. 2, Ali Bahajjou, a London-based writer on North African affairs, said: "Ben Ali will be sort of an autocrat. He won't have to waffle about before he acts, whereas Sfar would always beat around the bush first."

Mr. Ben Ali, who became a full general in 1979, is described by Tunisian officials as an athletic, clean-shaven man who believes in discipline and hard work and who speaks English, French and Arabic.

He was born on Sept. 3, 1936, near Sousse, in central Tunisia in the same region as Mr. Bourguiba's birthplace, Monastir. Mr. Bourguiba, according to a Tunisian official in Washington, will go to Monastir "to retire in his palace surrounded by his privileges and honors."

Mr. Ben Ali served three years in the mid-1970s as the military attaché in the Tunisian Embassy in Rabat, Morocco. In 1980, he became ambassador to Poland.

JAPAN: Economic Advice for U.S.

(Continued from Page 1)

and rising yen increase the price of Japanese exports and so threaten the Japanese economy, experts say.

"These are problems where Japan and the United States have joint responsibility," Mr. Takeshita said, referring to a range of economic disagreements between the two allies. "We cannot solve these things just on the Japanese side."

The value of the dollar tumbled to postwar lows in Tokyo and around the world last week. The Tokyo stock market followed, declining sharply for the third straight week.

The dollar's plunge accelerated when the U.S. treasury secretary, James A. Baker 3d, said Washington would rather ward off a U.S. recession than protect the dollar.

In another development, talks between the two nations on opening Japan's construction market to U.S. companies broke down in Washington. The U.S. commerce secretary, C. William Verity, scheduled a trip to Tokyo for later this month amid calls in Congress for reprisals against Japanese construction concerns.

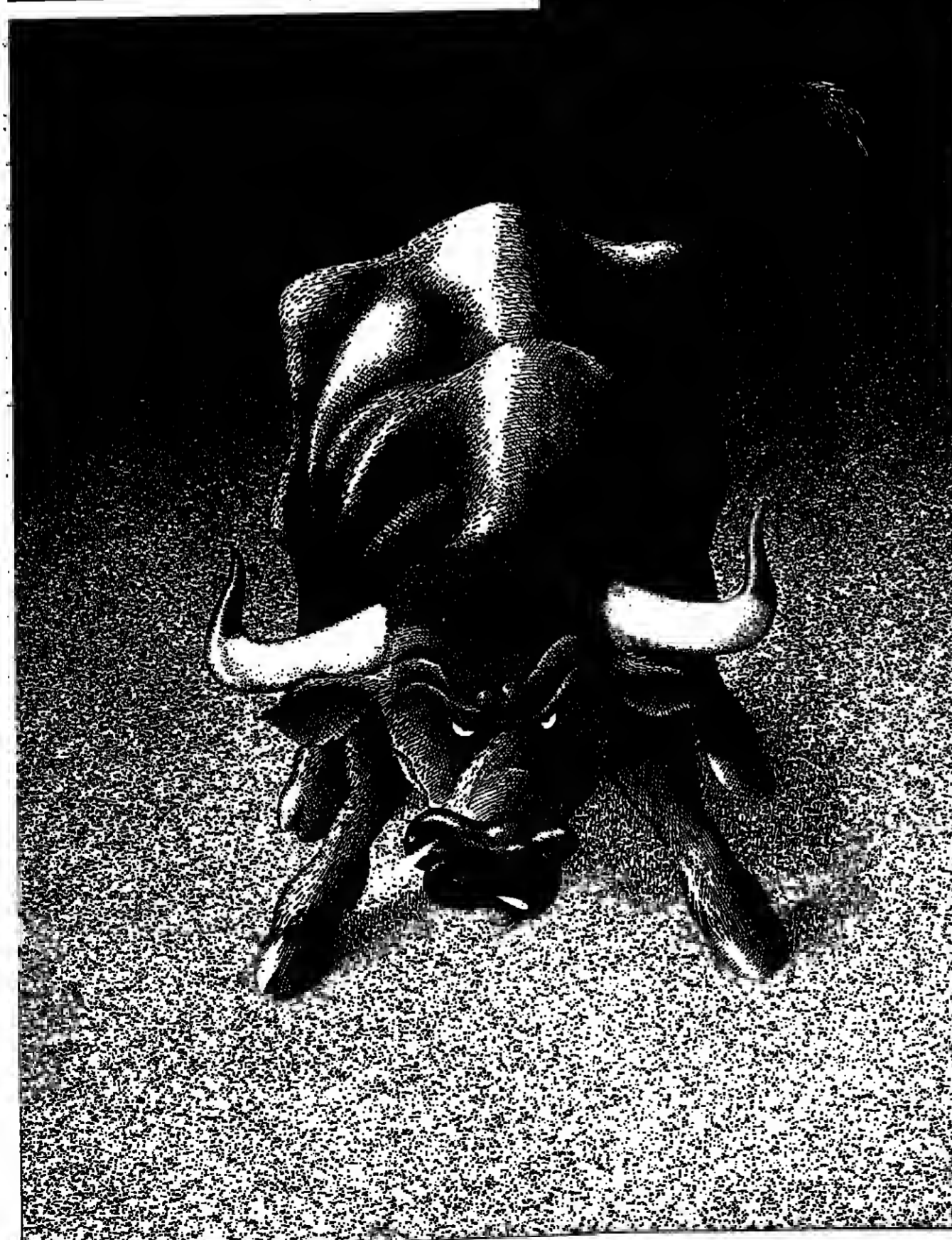
The new prime minister, answering questions for 80 minutes on Saturday afternoon, tried to allay those concerns. "My principle has always been to seek a consensus, to open my ear to others, and that I do not want to change," he said. "But now I am in a position where I must also make a decision and then faithfully execute it."

Mr. Takeshita was picked by Mr. Nakasone as his favored successor last month and approved Friday by the Diet, or parliament. In the Japanese political system, in which the conservative Liberal Democratic Party has ruled without interruption for more than three decades, no popular vote was needed to bless the change of power.

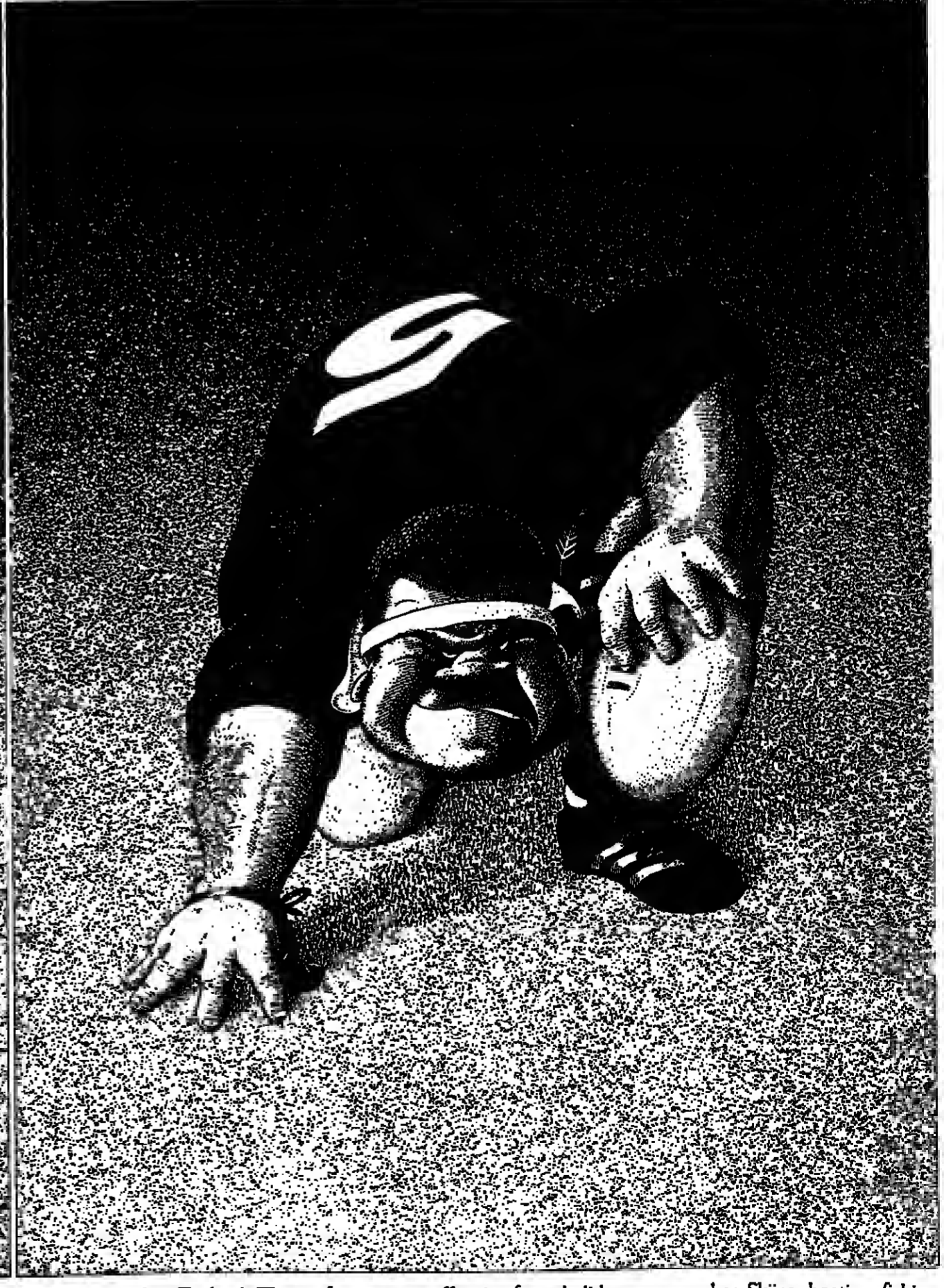
Mr. Takeshita said he would promptly introduce a budget for next year that would stimulate domestic demand, as Tokyo has promised U.S. officials. Washington hopes a more active domestic Japanese economy will help reduce the trade imbalance.

But Mr. Takeshita also said he would not stimulate demand so much as to risk stimulating inflation too.

Madrid and Auckland. Thai International's newest destinations.



Madrid, Spain. City of sunshine, cool breezes and romance. Of flamenco dancers, singers and guitarists. Of treading and picadors. And now Thai opens its doors to this picturesque city. Flights commence December 5 from Bangkok via Rome every Saturday and Monday. Returning to Bangkok via Rome every Sunday and Tuesday.



Auckland, New Zealand. The perfect starting-off point for a holiday to remember. Skiing, boating, fishing, touring in the land of the famous All Blacks Rugby team. New Zealand has it all. Now Thai touches down there December 6, direct from Bangkok (leaves Saturdays), returns every Sunday.



A Monthly Report for the International Investor

INTERNATIONAL Herald Tribune

Monday, November 9, 1987

PERSONAL INVESTING

Mozambique Is Offered More Aid to Fight Rebels

By Paul Lewis... UNITED NATIONS... Mozambique, a former Portuguese colony, faces a campaign by the South African-backed group called the Mozambique National Resistance Movement...

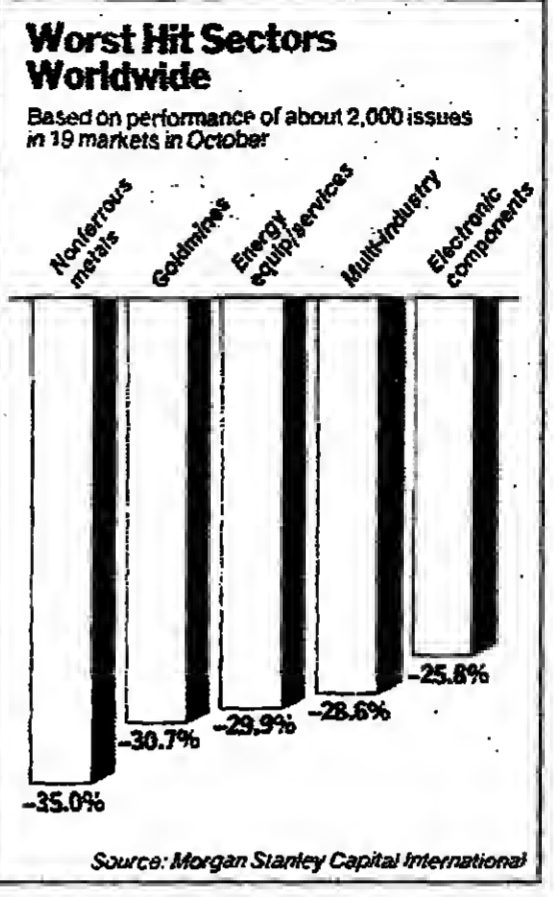
FOCUS

Smaller Stocks: How They Fared

ONE of the most often-heard phrases on the trembling lips of Wall Street portfolio managers these days is the "flight to quality." Still traumatized by October's calamity, professional investors are taking refuge in large companies with big market capitalizations, brawny balance sheets and solid dividends...



On Oct. 20, London equity traders stayed glued to the screens.



Source: Morgan Stanley Capital International

Wall Street Strategies: Safety First

By John Meehan... HUGH Johnson's job is to invest in stocks. It is a task, however, he has not relished since Oct. 19 turned his world upside down. In an environment characterized by its unpredictability, defensive themes and the unsettling notion that a recession looms around the corner, First Albany's chief investment strategist is the first to acknowledge that he has yet to find opportunity amid the turmoil...

Global Themes After the Crash

By Marybeth Nibley... Keith Brown recalls a number of inquiries his firm received earlier this autumn from clients in the Middle East. They all shared the same concern: Why were their portfolios so heavily weighted in bonds even though stock markets worldwide continued to look buoyant?

Bonds helped Worldinvest avert damage

Indeed, the balanced accounts managed by Mr. Brown's firm emerged from October's carnage relatively unscathed. A global mutual fund, for instance, lost 2 percent of its value in October. By contrast, the average return of 18 global markets tracked by Morgan Stanley Capital International declined by more than 17 percent in dollar terms.

markets is not to suggest that the firm ignores macroeconomic forces driving world markets. Mr. Brown says. Instead, he says Worldinvest's strategy begins with an analysis of where world economies are going, incorporating fiscal and monetary policy decisions that may occur. Then the firm's analysts try to measure the current value of financial assets against their potential and develop likely scenarios.



Keith Brown

Continued on page 11

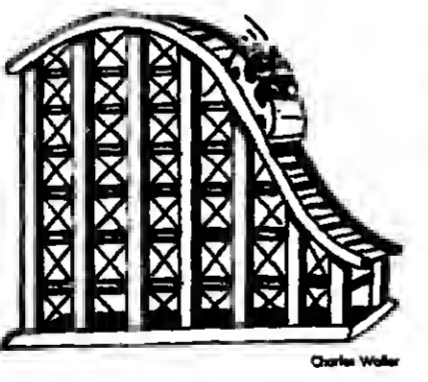
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like this. uable r the Asia. ... by senior IHT journalists who has known Asia well for 30 years... NESS TRAVEL ... to help you move closer to your investment goals...

FUNDS

London: A Month Funds Won't Forget

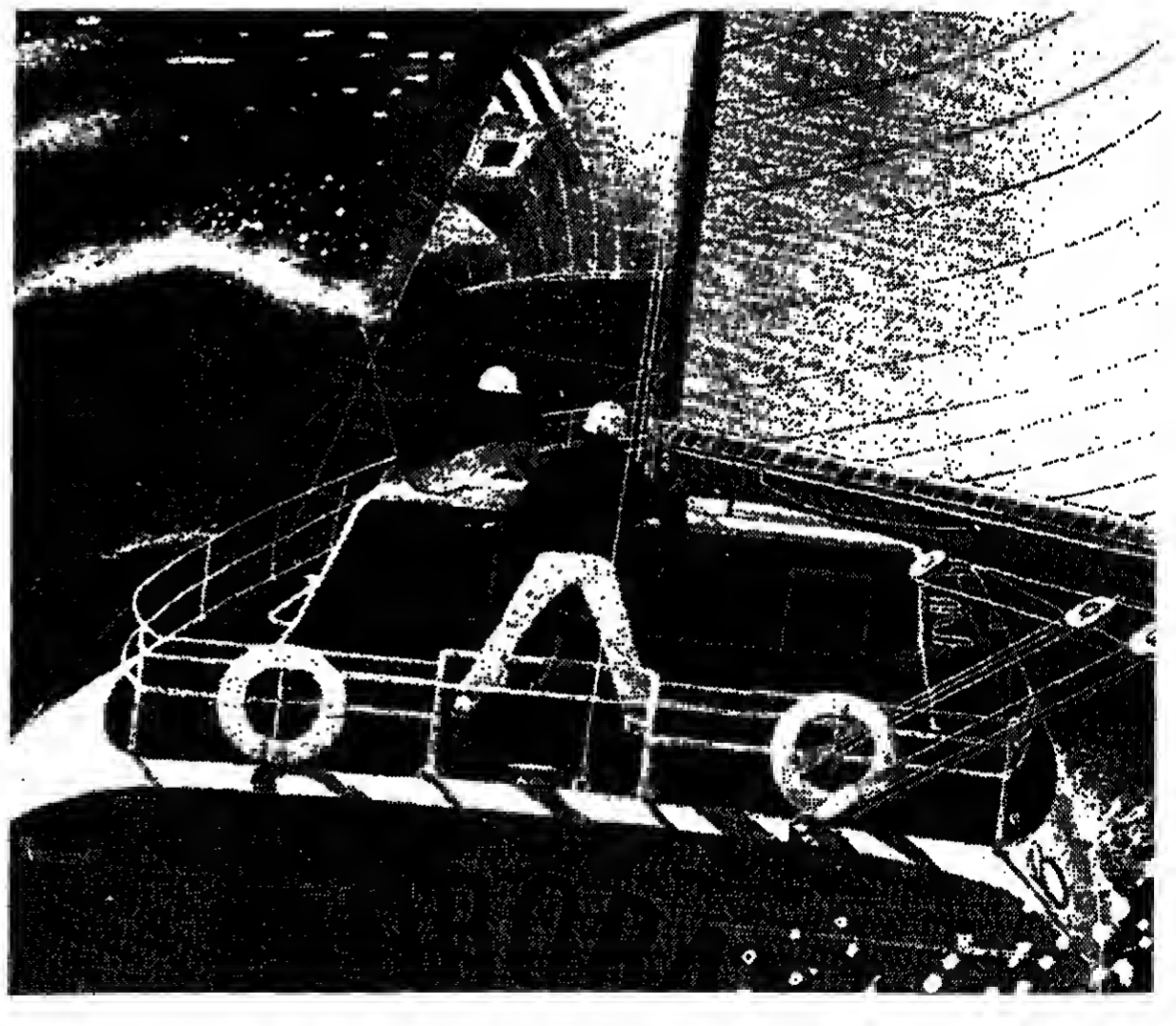
AS the premier center for international fund management, London represented ground zero for the October stockmarket bomb. Fund managers will not soon forget the devastation and handwringing of last month, nor will the investors in their funds. Many investors in unit trusts and offshore funds found that dealings in their funds was suspended. Others found that what price the transaction would occur. In an ironic turn, funds were forced to adopt a pricing system they criticized when it was proposed by regulators in recent months.



Charles Walker

Many unit trusts took unsettling dives. The average U.K. growth trust was down about 26.6 percent during October, according to Opal Statistics Ltd. Unit trusts that target Hong Kong shares incurred setbacks of as much as 40 percent. The bright spots were funds that focus on gilts, British government bonds. The best-performer during the month was Kleinwort Barrington Gilt Yield Fund, up about 11.6 percent.

American funds," says Roger Jennings, M&G's marketing director. Many management firms called off business-as-usual on the Tuesday following the big price plunge and had dealing delays at least the rest of that week. Rapidly collapsing share prices placed the fund managers in a dilemma. The Department of Trade and Industry requires units to be valued based on the price of the securities in the trust. And, according to some trust deeds, units must be revalued when equity prices move by 2 percent to 3 percent.



As a serious international investor, it's reassuring to know that you have a partner who keeps abreast of investment opportunities virtually anywhere around the globe. It's your Merrill Lynch Financial Consultant, the person who becomes familiar with your objectives, and helps you fulfill them with all the resources of one of the largest, most experienced financial institutions in the world. Through your Financial Consultant, we give you access to markets around the world, around the clock. We offer you the benefit of our top-ranked research team. And we provide you with a broad array of other services. You will also have the satisfaction of knowing that your Financial Consultant has been trained in a program that is widely regarded as the finest in the industry. Merrill Lynch Financial Consultants are ready now



FUNDS

How Some Funds Sidestepped the Collapse

By David Lanchner

THE Standard & Poor's 500 index fell 17.8 percent and the majority of equity mutual funds tumbled more than 20 percent. Yet despite the distinctly hostile environment that reined in the stock market in the last two weeks of October, at least one group of funds proved surprisingly resilient: the asset allocators.

Asset allocation funds attempt to reduce volatility by investing in a variety of holdings from precious metals to equities, and diversification best explains why they fared better than other mutual funds. Asset allocators posted an average return of 5.3 percent from the start of the year through Oct. 29, according to Lipper Analytical Services. This compared with a negative 4.62 percent return of the standard equity fund and the S&P's anemic 1.07 percent showing.

This seeming ability to sidestep the storm that swept through the market last month has not been lost on the public. At a time when many mutual funds are experiencing heavy redemptions, the asset allocators are registering minimal redemptions and in some cases are even attracting new customers.

Still, many industry observers say they are not convinced that asset allocation funds offer the best investment strategy, especially if the market's fortunes change. While agreeing that the lower volatility of these funds is appealing, they remain concerned about what they consider critical defects in strategy.

For some funds, there is an unusually heavy reliance on historical price movements to forecast returns and divide assets accordingly. And in the case of the most flexible funds, there is a tendency to concentrate big investments in certain areas.

There are a half-dozen funds that are considered to be pure asset allocators by the Investment Company Institute, the leading trade organization for the U.S. mutual fund industry.

Limiting Losses

The performance of selected asset allocation funds compared to general equity funds and the Standard & Poor's 500 index.

Fund	Week ending Oct. 23	Year to Oct. 23
PaineWebber Asset Allocation	+6.7	+1.3
Right Time	-1.3	+15.9
Permanent Portfolio	-4.9	+10.2
Blanchard Strategic	-11.6	+14.5
USAA Cornerstone	-12.4	+11.5
General equity funds	-16.6	-0.5
Standard & Poor's 500	-16.7	+2.5

Some constantly shift the percentage of holdings among a wide range of investment groups, while others maintain fixed percentages. Still others limit themselves to a narrower range of investments—typically, stocks and bonds.

The two diversified funds with the greatest flexibility, Blanchard Strategic Growth in New York and Bailard, Biehl, Kaiser Diversa in San Mateo, California, showed higher-than-average losses for asset allocators during the October collapse.

Blanchard fell 11.06 percent during the worst week of the crash and BBK Diversa fell 8.82 percent. In the same period, the average asset allocator dropped only 6.2 percent. The S&P and the average general equity fund both fell about 16.5 percent.

"The degree to which the flexible funds dropped is not surprising," says Gerald Peritt, the editor of The Mutual Fund Letter in Chicago. "When they shift assets, they tend to make big bets, which can translate into significant losses when the market turns down."

The funds divide their assets into four basic groups: foreign and domestic stocks, gold and bonds. BBK also invests in real estate partnerships.

Management at both funds ac-

knowledge that losses would have been closer to the S&P and general equity fund averages if they had not begun pulling out of stocks before the market collapse. Andre Sharon, chief portfolio manager for Blanchard, says his fund had as much as 73 percent of its assets concentrated in domestic and foreign stocks as recently as July.

During the crash, Blanchard reduced that stake to 48 percent, boosting cash and precious metals holdings.

"Unfortunately," says Mr. Sharon, "those precious metals assets were in the form of equity for greater leverage. Their value raced ahead of billion's and they got hammered in the market collapse."

Going into the downturn, BBK had a slightly lower 41 percent of its assets in stocks and only about 6 percent in gold, reallocating some holdings to bonds.

Both funds have since increased bond and cash holdings with BBK putting 59 percent in this area; Blanchard boosted its exposure to 48 percent. For the moment, neither fund is making big plays. "I just don't know where the markets are going," Mr. Sharon says.

Although Blanchard and BBK consider themselves value investors, a number of experts believe their allocation strategy is more akin to speculative market timing. "Only those willing to stomach the risks of an aggressive general equity fund should consider putting money in it," says Royal Lemier, editor and publisher of the Mutual Fund Specialist in Eau Claire, Wisconsin.

Janet Brown, editor of the San Francisco-based No Load Fund X, says the more flexible funds should be evaluated on the basis of management skills, not their claims of safety.

Funds that pursue a fixed asset allocation have done no better over the long term. USAA Cornerstone limited its losses in the week following the market's slide. It showed a negative return of 12.42 percent in the seven trading days that ended Oct. 23, according to Lipper.

Cornerstone's portfolio is almost evenly split between gold, domestic and foreign equities, bonds and real estate. While it tends to be value oriented in its

domestic stock portfolio, its international portfolio, like those of the other asset allocators, is heavily weighted toward more speculative markets like Japan.

Quarterly allocations in each investment area may vary within a narrow range of 18 percent to 22 percent, though Harry Miller, the portfolio manager, acknowledges "it's not unusual for us to be in a particular investment group as much as 15 percent."

Still, some critics believe this approach remains too rigid. "I'm disappointed with funds like Cornerstone that clearly have a responsibility in maintaining a defensive position," says Ms. Brown.

The Permanent Portfolio, managed from California, is by far the most rigid of the asset allocators. It invests in six areas: U.S. Government bonds (35 percent), gold (20 percent), real estate and natural resources (15 percent), Swiss francs (10 percent) and silver (10 percent).

While the fund's managers claim their portfolios are designed to do well in any environment—runaway inflation or recession—in their five years of existence they have never managed to match their own computer-predicted average annual return of 15 percent. In fact, in 1984 the fund generated a negative return of 13 percent because of flat equity markets and plummeting gold prices.

Part of the fund's problem, says Sheldon Jacobs, the New York based editor of the No Load Fund



Andre Sharon

Investor, is that the computer model used by Permanent Portfolio to divide its assets is based on market movements in the 1970s.

The Paine Webber Asset Allocation fund in New York and the Claremont Combined fund in California are perhaps the easiest for investors to understand because they limit their investments to stocks and bonds.

Yes, Michael Lipper, president of Lipper Analytical Services, says that such funds are the most volatile of the asset allocators. Indeed, Paine Webber portfolio was among the best performers in the week of the crash—up 6.07 percent—largely because 83 percent of the funds assets were in bonds.

Taking Refuge in Money Market Funds

By Carole Gould

THE rout on Wall Street has produced at least one clear winner: money market funds. "Panic in the equity markets creates a flight to safety, and money funds are one of the few groups to bene-

fit from the general market turmoil," says Glen King Parker, publisher of Income and Safety, a Fort Lauderdale, Florida, newsletter covering fixed-income investments.

Three weeks ago, skittish investors moved \$9.64 billion into taxable money market mutual funds, a record one-week inflow, with most of that money coming from sales of shares of mutual funds that invest in stocks.

The total assets of the money funds rose to \$256.84 billion, a record, according to the Investment Company Institute, an industry group. Two weeks ago, the funds took in \$1.16 billion more. Many banks have also been experiencing a surge of deposits in their money market accounts, which pay market rates of interest.

Money funds—there are 410 taxable ones and 133 that are tax-free—are diversified portfolios of short-term money market securities offered by brokerage firms and mutual fund companies.

Investors can check the maturities of the various funds in the financial pages of U.S. newspapers. The average maturity is about 40 days. Mr. Parker recommends asking questions if the term extends beyond 100 days.

The funds typically invest in a mix of Treasury securities, negotiable certificates of deposit, commercial paper and other highly liquid, short-term securities. "The safest thing in the world to own is a Treasury bill," says John Markese, director of research for the American Association of Individual Investors.

As a fund increases its other

holdings the yield rises, but so does the risk. For example, two weeks ago, funds that invested solely in Treasury obligations yielded 5.77 percent, says Susan M. Cook, editor of Donoghue's Money Fund report, a newsletter that surveys the funds each week.

Funds that also invested in government agency paper, like obligations of the Federal National Mortgage Association, yielded 6.29 percent.

The riskier funds buy top-rated paper of banks and corporations; Eurodollar deposits; Yankee dollars, deposits at domestic branches of foreign banks, and various lower-rated paper. The most aggressive funds yielded 6.75 percent, almost a full percentage point more than those buying just Treasury bills.

Yields may also reflect different administrative costs. While money funds have no sales charges, investors are well advised to check the prospectus to see that the fund's expenses are in line. Expenses of one-half to three-quarters of 1 percent of fund assets are considered reasonable. Anything higher than that—there are a number of funds whose expense ratios approach 1 percent, Mr. Markese says—should be avoided.

Another factor is size. "Unlike the equity funds, size appears to be an advantage for money funds" in generating higher yields, Mr. Parker says. The Merrill Lynch Cash Management Account is the largest, at \$18 billion, he says. The next biggest are Merrill's Ready Assets Account, Fidelity Cash Reserves and Dreyfus Liquid Assets.

Then it becomes a question of

services. Minimum initial investments range from \$500 to \$50,000, with most funds requiring \$1,000 to \$2,500. Most funds do not allow investors to write checks below a certain amount, typically \$500.

However, some permit checks for \$250 and a few, like the Capital Preservation Fund, have a \$100 minimum.

Shaken investors who are now unwilling to accept any risk, however small, might prefer to keep funds in a bank money market deposit account. Authorized by Congress in 1982 to allow banks to compete directly with money market mutual funds, these accounts are insured for up to \$100,000 by the Federal Government.

The bank money accounts generally yield about one-half percentage point less than the money funds because the banks' cost of doing business usually exceeds that of the funds, said A. Michael Lipper, president of Lipper Analytical Services, which tracks mutual funds. Sometimes the gap widens even more: A week after the Oct. 19 market crash, the bank money accounts yielded 5.68 percent while the money funds brought in 6.70 percent.

Bank customers can write three checks a month without a service fee. Monthly maintenance charges should average no more than \$8 to \$10 and may be waived if other accounts are maintained. But additional charges may be imposed—or the interest rate cut—if the account balance falls below minimums that range from \$500 to \$2,500.

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ROBECO GENEVA ACCOUNT

The Premium On Minted Memories

By Cynthia Catterton

IN RECENT years, commemorative coins have become a convenient way for investors to raise revenue. Indeed, a recent survey of the world's leading numismatists found that the kind of coins most purchased were those of the countries that the purveyors of these coins were publicizing.

It is not to say that all commemorative coins are good investments. In general, so-called "one-off" issues are not as good as the 1986 coins struck for the 10th anniversary of the World War II armistice, which originally sold for \$1.20.

The Wood, however, says that most of the commemorative coins issued by the U.S. Treasury are good investments. The silver coins are the best, he says, because of the sharp rise in the price of silver. The gold coins are also good, but the price of gold is more volatile.

One dominated by numismatists' interests is the 1986 "one-off" issue, the \$100 million coin minted for the occasion of the 10th anniversary of the World War II armistice. This coin was sold to collectors for \$1.20. However, some permit checks for \$250 and a few, like the Capital Preservation Fund, have a \$100 minimum.

Shaken investors who are now unwilling to accept any risk, however small, might prefer to keep funds in a bank money market deposit account. Authorized by Congress in 1982 to allow banks to compete directly with money market mutual funds, these accounts are insured for up to \$100,000 by the Federal Government.

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COINS

The Premium On Minted Memories

By Cynthia Catterson

IN RECENT years, commemorative coin issues have become a convenient way for governments to raise revenue. Indeed, almost every major event in the world seems to be chronicled by the local mint. But the flood of new issues has not translated into the kind of investment opportunities that the purveyors of these coins would have the public believe.

Now it's gotten to the point where every country, big and small, is finding excuses to mint them. The result is that there are few that have any real value in terms of investment," complains Paul Wood, senior cataloguer in charge of coins at Sotheby's auction house in London.

This is not to say that all commemorative coins have no investment appeal. In general, coins struck before the 1950s continue to appreciate in value. For example, the set of British coins struck for the 1937 George VI coronation, which originally sold for £10 are now worth about £1,200.

Mr. Wood, however, says that most of the modern commemorative coins are at Sotheby's command little more than the going rate for the silver and gold they contain.

In large measure, the depressed prices reflect the frequency of new issues, as well as the sharp increase in number of coins minted for each occasion. "Thirty years ago, 10,000 coins in an issue was considered very big. Nowadays, that would be considered modest," says Alistair Gibb, a coin specialist who writes frequently about coin investing from his home in Fife, Scotland. Indeed, issues in the millions these days are not unusual.

In addition, he says, the nature of the market is changing. Once dominated by numismatists who cast a critical eye on every new issue, the market is now much broader and populated by individuals who are more interested in coins as gifts and souvenirs.

The lack of consumer expertise, Mr. Gibb argues, has allowed sales agents to increase premiums. This, in turn, depresses their value on the secondary market. "The newer issues are offering less rarely at a higher premium, so the chances of appreciation are usually nil," he explains.

Unlike bullion coins, which are sold to investors who are looking for a hedge with precious metals, commemorative coins are generally limited edition pieces sold to collectors. The typical premium for a bullion coin is between 5 percent and 7 percent above the metal content, for commemoratives the premium can be as high as 50 percent and 60 percent.

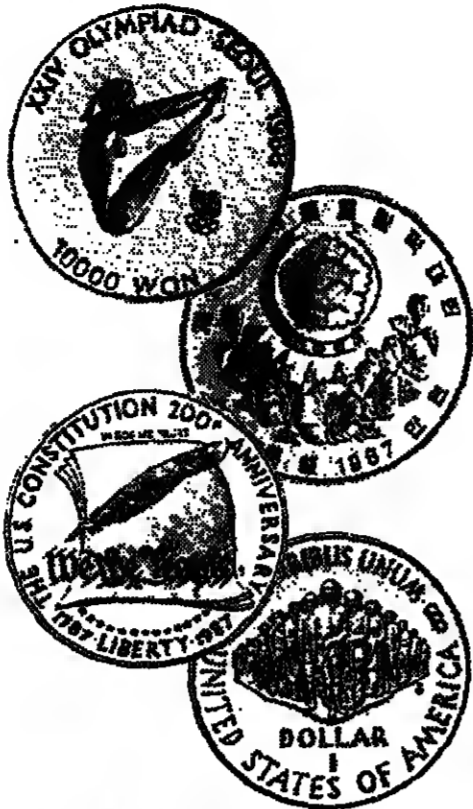
For these reasons, coin specialists caution individuals against buying modern commemoratives solely as investments. "Collecting commemoratives is much like collecting art. Very few people buy it just for investment purposes, they do it because they enjoy it," says John F. Norris, head of the precious metals department at Citibank in New York.

Adds Charles Ueager, head of precious metals at Bank Leu in Switzerland, "If you buy a commemorative coin, you will have a nice coin and pay a high premium to have it. It is better to stay concentrated in bullion coins if you are investing in coins."

Still, for collectors with an eye toward investments, there are some guidelines to be aware of when selecting a coin.

For one thing, details such as design and condition can affect the value of a coin on the resale market. An older coin that has been cleaned, for example, could be worth less than one that shows its age. However, a proof coin, a specially minted piece with a mirrorlike finish, should never be removed from their sealed plastic cases because their resale value can fall if they are handled with fingerprints.

* Though the value of a commemorative coin is



Commemoratives

Top, a one-ounce, 10,000-won silver coin commemorating the Seoul Olympics. Below is the one-dollar coin issued in connection with the U.S. constitution's 200th anniversary.

affected somewhat by the price of precious metals, demand in the collectibles market ultimately determines the pace of appreciation. Scarcity is the most important factor. Therefore, individuals must consider both the number of coins that were minted and the base of collectors for a specific issue.

"It's not so much the number minted as it is the number minted compared to the demand. A coin with 5,000 mintage could be fantastic in a niche market," notes Mr. Norris at Citibank.

A good illustration is the U.S. State of Liberty coin, which commemorated the state's centennial last year. Although it was a large issue, 500,000 coins, the celebration surrounding the event had a large international participation. In the end, demand for the coin exceeded the supply. At one point, the \$5 gold coin which originally sold for \$165, was commanding \$600. Today, the coins sell for about \$350.

Forecasting demand, however, is risky. Speculators hoping that this year's U.S. Constitution coin, minted to honor the bicentennial of the U.S. Constitution, would generate similar returns as the Liberty coin, learned this the hard way.

THE EVENT did not capture the same worldwide attention as the Liberty gala. Furthermore, explains Alan Posnick, vice president at Manfra, Tordella and Brookes, a New York coin dealer, the U.S. Mint struck one million Constitution coins, twice as many as were minted for the Liberty series. As a result, the price of the \$5 uncirculated gold coin has more or less remained unchanged since it was issued at \$235 a few months ago.

Some coin experts suggest that demand peaks when a popular theme, such as an Olympics, overlaps with a country whose coins are popular among collectors.

This may be the force driving the high demand for the Seoul Olympic coins at the moment, says Mr. Posnick, the only firm in the U.S. to market the coins. Meanwhile, those wishing to sell their poorly performing commemoratives, might find a kinder market if they wait until another, similar event occurs. "There is always a brief surge in interest in previous Olympic coins while an Olympics is in progress," says Mr. Posnick.

PRECIOUS METALS

Gold's Tarnished Image as a Haven

This year, it has proved to be one of the better-performing investments

By Anise C. Wallace

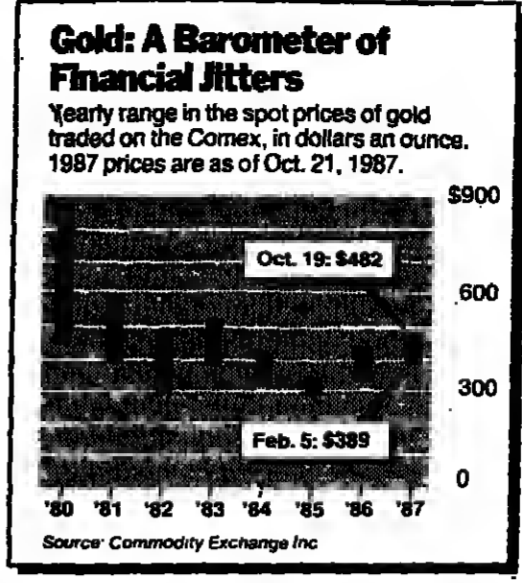
WHEN investors fear the return of high inflation or believe financial calamity is imminent, gold is the usual safe haven of choice. Yet, despite the gyrations of the stock market, many successful investors do not believe either of those developments is likely.

Many strategists are even recommending that investors stay away from gold. And those who already own bullion or gold shares, these advisers say, should sell before prices drop further. "I can't see owning gold unless you think the whole system is going to unwind," says Neil J. Weisman, general partner of Chilmark Capital, who moved his clients' funds into Treasury bills a week before the market fell apart.

Most money managers are avoiding gold for three chief reasons. They do not view the recent panic on Wall Street as a warning that the financial system is on the brink of collapse. "Greenpan demonstrated that the Fed stands behind the system," says Richard Russell, editor of the Dow Theory Letters, referring to Alan Greenpan, the chairman of the Federal Reserve Board.

These advisers also do not see a return of the double-digit inflation. In fact, many financial experts believe that deflation is a more likely possibility. "I think the market crash portends mild deflation, definitely not inflation," Mr. Russell says. The third reason to avoid gold is that it will not rise further, they say, because there is a fairly stable balance of supply and demand.

Until recently, the price of gold had been climbing from



the recent low set in February 1985. As the dollar declined in value, the price of the metal surged. In fact, this year it was one of the better-performing investments. The price of bullion was up 17 percent, and gold-oriented mutual funds, which invest in the stocks of gold-mining companies, were up even more.

But gold moves on emotion, and that keeps many professionals from buying it. "I have a hard time betting on psychology," says Jonathan Berg, president of New York's Berg Capital Corp. And psychology has driven gold higher for much of this year. Indeed, throughout 1987 experts have suggested that the metal's price advance has been based on fear of the tensions in the Persian Gulf and the perception, rather than the reality, of higher inflation.

Professional investors dislike gold for a variety of reasons. They think the psychology of gold investors is overly bullish. When sentiment is optimistic, that indicates gold followers remain fully invested and no one is left to buy. Moreover, the stocks of mining companies, one of the

more favored vehicles for investing in gold, are extremely vulnerable, according to many analysts. Prices of mining companies increase faster than the price of gold because an increase in the metal raises profit margins at a faster rate. At their peak, mines were selling at 70 times their earnings. Gold-oriented mutual funds were up more than 75 percent before the stock market began its fall in September.

DESPITE THE concerns of these advisers, some financial planners suggest that individuals maintain at least 5 to 10 percent of their savings in gold at all times. That way, they say, investors are protected no matter what happens. Gold is "something of an irrational investment," concedes Christine S. Delesert, vice president of Seidman Financial Services in Boston. But she says it has a "definite" place in a portfolio. Investors who decide to own gold have several ways they can invest:

Bullion: Investors can buy gold coins and lock them in a safe deposit box. Or they can buy bullion from dealers. Coins, like the American Eagle, the Canadian Maple Leaf or China's Gold Panda, carry a premium over the gold bullion content but they do not have to be assayed and can be stored more easily than bullion.

Gold stocks: The stocks of mining companies are considerably more volatile than bullion. Certain ones, like those of South African mining companies, have political risks as well.

Gold-oriented mutual funds: Individuals who want to own mining stocks but do not know which ones to select will be most comfortable with a fund that owns a broad range of gold stocks.

Gold futures: This is probably the most speculative way to invest in gold. Gold futures contracts require investors to buy or sell gold at a specific price on a specific date, no matter what metal happens to be trading for that day. Profits can be huge, and so can losses.

CD's tied to gold: The Wells Fargo Bank in San Francisco introduced "gold market certificates" earlier this year. The interest rate of these certificates of deposit is tied to the price of gold. As with other certificates, the holder's principal is guaranteed up to \$100,000. But there is no guaranteed interest rate.

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The Bullish Case for Another Surge in Platinum

By Alice Oshins

IT IS MORE volatile, unpredictable and ever more expensive than any other precious metal. Yet, for analysts who have spent the last couple of weeks scanning the horizon for signs of a resurgence in metal markets, there are strong fundamental arguments for another rally in platinum.

"Platinum is potentially the most attractive, while being the most volatile," says Fredric Levin, general partner of Lazard Freres & Co. in New York. "We're bullish on platinum, but in the context of diversification."

Even though precious metals prices have slipped in recent weeks as lower interest rates have eased inflationary concerns, metals specialists contend that platinum's scarcity is bound to play a role in the metal's fortunes over the long term.

Only three million ounces are produced each year, as opposed to 80 million ounces of gold. And 80 percent of the world's total supply

comes from three mines in South Africa: Rustenburg, Impala and Western. The Soviet Union and Canada produce the rest.

Demand continues to grow, however. Platinum is already widely used in electronics, and its industrial use is expanding. It is estimated that it is used in the production of one in five manufactured goods nowadays.

Already an integral component in catalytic converters for automobiles in the United States, some analysts see a shortage developing in 1988 when the European Community mandates converters.

Investor demand is also growing. Purchases solely for investment now account for 16 percent of total demand compared to two percent five years ago. "The appetite for platinum has been tremendous," says Jacques Luben, director of the Platinum Guild International.

Over the past year, fear of inflation and a weaker dollar have been the locomotives behind the surge in platinum prices. In February 1985, the metal hit a low of \$236 an ounce and has been climbing for 2 1/2 years to its current range of \$580 to \$600 per ounce. The \$599 average price for platinum for the first three quarters of 1987 is up 36 percent over last year's average of \$410 for the same period.

The climb, of course, has not all been smooth sailing and underscores the metal's volatility. In September 1986, for instance, concern over heightened unrest in South Africa pushed the price of platinum to a high of \$682 per ounce. Yet, at month's end platinum was at \$540 an ounce, a \$142 tumble.

Some metals analysts believe platinum prices will recover to a broad trading range of \$580 to \$600 over the next few months. In three to five years, however, a number of experts say there is a good chance that platinum will beat its 1980 high of \$1,045 when the metal topped out at the height of inflation.

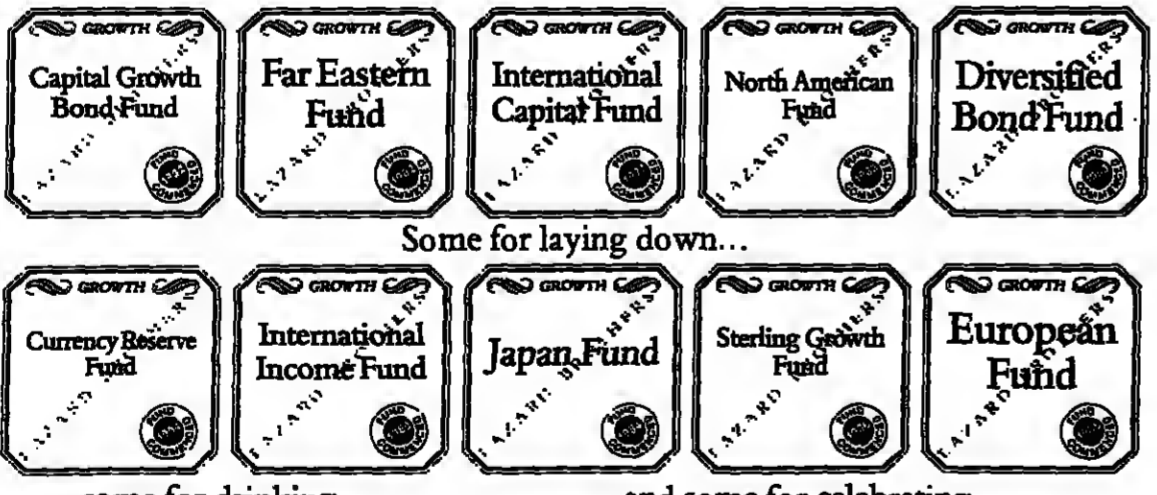
"Platinum could even go as high as 10 to 12 percent beyond that level to \$1,200 to \$1,300," says Martin Armstrong, a technical analyst and president of Princeton Economic Consultants.

Still, metals analysts caution that even the upbeat outlook would change dramatically if the world economy slips into recession, a chronic fear in the wake of the stock market's decline. The platinum market, they note, is dominated largely by industrial use, and a sluggish economy is bound to trim demand.

FOR many investors, volatility remains platinum's biggest appeal and sets it apart from gold and silver. Wherever precious metals prices go, so goes platinum — only more so. "Prices rise and drop quickly in this market," says Rhona O'Connell, precious metals analyst at Shearson Lehman Brothers in London.

When gold peaked at \$825 in 1980, platinum was at its all-time high of \$1,045. But when gold fell to \$298 per ounce in 1982, platinum sunk even lower to \$244 per ounce. Still, when the precious metals take off, she says, "platinum is the strongest performer overall."

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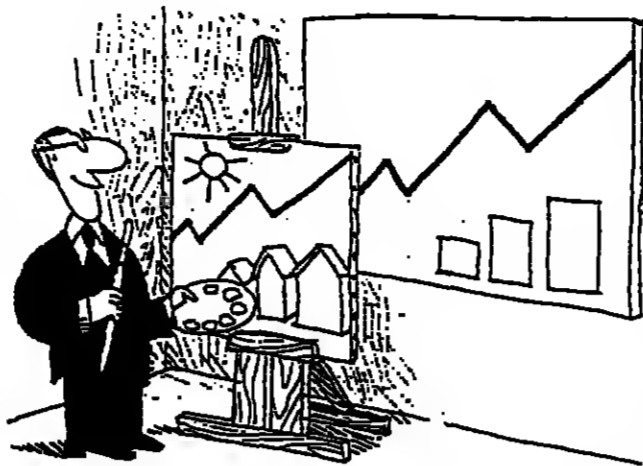
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FUNDS

Reassessing Funds That Mirror Market Indexes

By Joan Westreich

HERE has always been a logical appeal to index funds. About one out of four fund managers successfully outperforms the market, the argument goes, so it makes sense for investors to be content with simply mirroring the performance of some widely accepted gauge of stock values, such as the Standard & Poor's 500 index and Dow Jones Industrial Average.



was the firm's second most popular fund for new investments among its stable of 46 funds. Launched in 1976, the fund was the first such vehicle for individual investors. It has 35,000 shareholders and \$865 million in assets, down from about \$1 billion before the stock market drop.

Mr. Mattes is unperturbed about the fund's 16.73-percent decline in the week ending Oct. 22. "It's to be expected," he explains. "The fund has about a 99-percent correlation with the market and did exactly what it should do."

He says that an index fund is for sophisticated investors who are in for the long haul. These investors understand they are "just taking market risk; no more, no less," Mr. Mattes explains. The biggest users have been pension funds, which have about \$123.6 billion in equity index funds run by outside advisers. Pension funds manage on their own another \$30 billion in indexed assets.

So far this year, the Vanguard fund's total return, including reinvested dividends and capital gains, is a mere 3.06 percent. But long-term figures offer a different perspective. In the five-year period ending Dec. 31, 1986, the Vanguard index fund has returned 141.15 percent compared with an average return of 117.28 percent for all equity mutual funds, according to Lipper Analytical.

Beyond the long-term performance, index funds have the added allure of being low cost investment vehicles. Since matching an index eliminates the need for high-priced fund managers and research departments, costs are kept low. Vanguard pockets a skimpy 0.28 percent of assets for managing the fund.

Still, a number of money managers dismiss the so-called passive strategies of index funds, especially in current market conditions. "Today index funds are one of the worst investments," asserts Kent Kramer, a financial planner with Atlanta-based Walker Capital Management Corp. "We're in a stock picker's environment right now."

Another company offering an S&P 500-based index fund is Boston's Colonial Group of Mutual Funds. Its United States Equity Index Trust charges a one-time sliding-scale sales fee, depending on the size of investment, of up to 4.75 percent.

One of few entries based on the Dow Jones Industrials Average is the Bench Blue Chip fund. The fund invests in only 33 stocks, including the 30 blue chip stocks listed on the Dow Industrials. Bench Blue Chip charges a 2 percent sales fee and requires a \$1,000 minimum deposit.

The popularity of the indexed approach also has spawned a range of investment vehicles that seek to offer representative exposure to certain types of stocks. One example is Colonial's Small Stock Fund, which seeks to mirror the performance of lesser known, secondary stocks in the United States.

Investors can use the Colonial fund to gain exposure to smaller stocks while at the same time achieving more diversification than they would otherwise have if they tried hard to buy shares directly. A similar, passively managed fund of small stocks is offered by Dimensional Fund Advisors of Santa Monica, California.

Colonial also offers an international fund linked to Morgan Stanley Capital International's Index of European, Australian and Far Eastern stocks. Tracking international indexes poses special problems, though, given the narrowness of many non-U.S. markets.

For much of the bull market, that was an approach that paid off handsomely. To a large extent, the rally in stocks was concentrated in the blue chip issues that make up the major indexes. The strategy that says "if you can't beat them join them" was a winning one.

But when the slide in stock prices hit Oct. 19, index funds declined in tandem with the Dow and other popular measures. Many funds with managers who actively manage the portfolios cushioned the fall by reducing exposure to stocks or particularly vulnerable sectors. In the week from Oct. 15 to 22, the average performance of U.S. mutual funds tracked by Lipper Analytical Services fell 10.66 percent. By comparison, the Dow Jones Industrials Average was down 17.18 percent and the S&P 500 lost 16.72 percent that week.

Those results raise the question of whether index funds will maintain their allure for individual investors. Brian Mattes, vice president of the Vanguard Group of Companies of Valley Forge, Pennsylvania, believes they will. He considers his firm's Index Trust fund, whose portfolio tracks the S&P 500, to be the ultimate buy-and-hold investment and does not believe its popularity will be seriously affected.

For the first nine months of 1987, the Vanguard index fund, without benefit of any advertising, Companies of Valley Forge, Pennsylvania, believes they will. He considers his firm's Index Trust fund, whose portfolio tracks the S&P 500, to be the ultimate buy-and-hold investment and does not believe its popularity will be seriously affected.

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STRATEGY

Post-Crash Byword Is Safety

Continued from page 7

"Flight to quality" became apparent soon after the market collapse and the trend has continued. Companies that fall into this category usually have strong management, sound balance sheets and big capitalizations.

These include utilities, property casualty insurers, tobacco companies and soft-drink makers. But even with these kinds of stocks, Mr. Einhorn says investors must be willing to take a six-month view.

Prudential-Bache Securities came up with a list of selections similar to those offered by other investment firms. It includes AT&T, BellSouth Corp and Pacific Telesis among telecommunication issues. For beverages and tobaccos, the favorites were Anheuser-Busch and PepsiCo. In the electric utilities sector, the choices were General Public Utilities, Southern California Edison and Public Service Enterprise Group.

instance, believes the consumer stocks that led the bull market suffered a fall in Oct. 19. "The economy will slow, and the consumer is going down for the count," he says.

If so, Mr. Clough believes, there is a good chance that industrial companies will take over the lead. After years of seeing their export volume shrivel because of a strong dollar, many of these companies have undergone painful restructuring.

This, in turn, has produced leaner and potentially more profitable companies. Moreover, these companies have the most to gain if the dollar continues to decline. "The industrials will lead the next rally," says Mr. Clough, who is looking at companies such as Caterpillar, Deere, Dow Chemical and Hewlett-Packard.

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able companies. Moreover, these companies have the most to gain if the dollar continues to decline. "The industrials will lead the next rally," says Mr. Clough, who is looking at companies such as Caterpillar, Deere, Dow Chemical and Hewlett-Packard.

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in October.

Table with columns: Stock Name, Percent Gain, Price Oct. 31

New York Stock Exchange

Compiled by Media General Financial Services. Prices in dollars

Table with columns: Stock Name, Percent Gain, Price Oct. 31

American Stock Exchange

Compiled by Morgan Stanley Capital International. Prices in pence.

Table with columns: Stock Name, Percent Gain, Price Oct. 31

London Stock Exchange

Compiled by Morgan Stanley Capital International. Prices in yen.

Table with columns: Stock Name, Percent Gain, Price Oct. 31

Tokyo Stock Exchange

Compiled by Morgan Stanley Capital International. Prices in yen.

Table with columns: Stock Name, Percent Gain, Price Oct. 31

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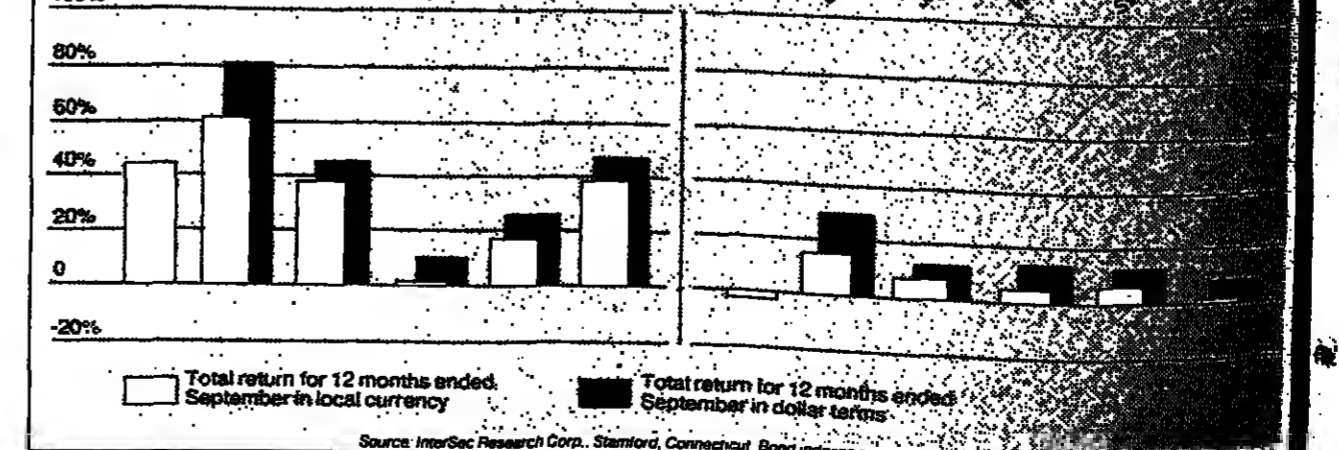
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Total Return for 12 Months

Total return measures both the changes in the prices of securities and the income they provide either in dividends or interest. Gains or losses were measured by comparing market indexes with their levels a year earlier. The chart does not take into account taxes or inflation.



Source: InterSec Research Corp., Stamford, Connecticut. Bond interest are proprietary. Equity indexes are from Compustat.

Advertisement for 'Taking the New York sales went well, but caution persists' by Joan Westreich. Includes text about market analysis and a 'PROFILE' section.

Global The

Continued from page 7

been investment strategy which is robust in the unfolding event.

London: A Jolt For Funds

Continued from page 7

ing of a flap in the industry. British unit trusts have had to fund shares on a historical basis.

But the asset value of the shares at the end of the previous day is what sets the price of a transaction.

After this year, the Securities Investment Board proposed to unit trusts adopt forward pricing, meaning that the transaction would be based on the next valuation after the order was placed.

Forward pricing is the norm for all mutual funds.

A statement issued Oct. 27, "Forward pricing" has proved unpopular with investors and went against the SIB proposal.

Mr. Bostford said the fact that investors were forced to temporarily adopt forward pricing in a way that should not be used as a precedent in support of using forward pricing all the time.

Handwritten note: هكمان النحل

COLLECTING

Taking the Art Market's Pulse

New York sales went well, but caution persists

By Joan Westreich

WHEN the world's stock markets came crashing down last month, the tremors extended to the well-appointed offices of auction houses in London, New York and Geneva.



'Backwash'

An initial test of those worries came last week in a round of contemporary art auctions in New York, the first of the important holiday sales season.

Not surprisingly, the best works were sold, while lesser offerings of top artists and paintings with lofty reserves — or minimum selling price — went begging.

At a Christie's auction the night before, Francis Bacon's "Figure with two Owls" was sold for \$1.3 million, and the artist's "Study for Portrait of P.L. No. 1" garnered \$588,000.

\$12.9 million. "Those reserves were set six months ago at the height of the bull market."

John Koegel, an attorney who represents artists, dealers and collectors, believes that

"we've already seen the alleviation of the immediate fear of depression." But there is still considerable trepidation, he says, because of "the very close relationship between the health of the financial markets and the New York art market."

Mr. Koegel feels that gallery sales of contemporary art are going to suffer a bit. Rather than a general decline in prices, which dealers would resist, he sees "a cooling off of increases."

Support for the market flows from the reluctance of owners of quality works to sell, and the view of many collectors that art represents a haven for their wealth in times of uncertainty.

Mr. Feigen suggests that art could become "a haven for funds afraid to be in the dollar or the stock market." Observes Mr. Ainslee: "In hard times, people invest in tangibles."

For the big-money investors, though, the fluctuations of the stock market will matter little. Ikkan Sanada, a consultant to major Japanese collectors, who tend to favor impressionists and modern masters over contemporary, says his clients "view art as a long-term investment" and are "not really affected" by the stock market.

This week's auctions of works by the impressionists will be closely watched for further evidence of the art market's health.

After March's watershed auction of the artist's "Sunflowers" for \$39.9 million, it will be instructive to see whether "lives" surpasses Mr. Ainslee's \$25 million to \$35 million estimate.

Mr. Sanada says he might have the right buyer. One of his clients, he says, "is seriously interested." But of course, he adds without a trace of irony, that's only "if the price doesn't go too excessively high."

PROFILE

Global Themes in a Post-Crash World

Continued from page 7

have an investment strategy which is robust to the unfolding events."

Geoff Lewis, WorldInvest's economist, says the two scenarios the firm envisaged "stood up fairly well" after the mid-October turning point in the markets.

The first called for moderate economic growth and inflation with the bulk of the downward adjustment in the U.S. dollar having already taken place.

Mr. Lewis said the scenarios led the firm to be "quite optimistic on the prospects of fixed income and correspondingly very worried about the prospect for equities."

The rethinking that has gone on since stocks came crashing down has produced pessimistic estimates of future economic growth,

The firm is still bullish on Britain and Spain

Mr. Lewis says. He says the firm remains bullish on fixed-income instruments, with a typical balanced fund now weighted 60 percent in bonds.

When it comes to choosing scenarios, Mr. Lewis believes, are the starting point.

WorldInvest has not changed the weightings in their equity portfolios significantly since the market crash. The firm remains bearish when it comes to Japanese and German stocks.

By contrast, its portfolios reflect a bullish outlook for Britain and Spain. U.S. stocks still account for about 20 percent of their stock portfolios.

When it comes to British stocks, Margaret Paulus, an investment manager, says the firm has been concentrating on defensive investments and staying away from cyclical, economy-driven stocks.

Among the firm's current holdings is Pleasurama whose hotels provide a ready cash flow and a highly visible asset base.

British Printing & Communication Corp. PLC, the Robert Maxwell publishing concern, is another stock held by the firm.

Ms. Paulus, who also specializes in Spanish equities, says the Madrid market fell significantly as foreign investors pulled out. But the sell-off, she contends, has created opportunities to buy stocks in sectors that had become too expensive before the crash, such as construction stocks.

FUNDS

London: A Jolt For Funds

Continued from page 7

thing of a flap in the industry. Typically, British unit trusts have priced their fund shares on a historical basis.

The net asset value of the shares at the end of the previous day is used to fix the price of a transaction.

Earlier this year, the Securities and Investment Board proposed that unit trusts adopt forward pricing, meaning that the transaction would be based on the next calculation after the order was placed.

Forward pricing is the norm for U.S. mutual funds.

In a statement issued Oct. 27, the Unit Trust Association says "forward pricing" has proved unpopular with investors and went on record against the SIB proposal.

Mr. Sutcliffe said the fact that managers were forced to temporarily adopt forward pricing in an emergency should not be used as an argument in support of using the system all the time.

For now, fund managers are more concerned with where the markets are headed and whether a wave of redemptions is in the making.

Industry observers say the possibility of a powerful redemption wave would be greatest during a rally or after prices have rebounded and stabilized.

In anticipation of a redemption rush, many fund managers raised cash by selling equities into a declining market so they would have money on hand. Perversely, this accelerated the market's downward spiral.

Before October's stock market

upheaval, U.K. unit trusts were growing at a record clip. Gross sales totaled £1.68 billion in September alone.

Net new investment, which excludes money paid out to customers cashing in units, reached \$1.16 billion, a record high. The number of unitholder accounts rose by a record 329,000.

Funds under management amounted to £50.3 billion in the month to Oct. 1. Preliminary indications show that October's plunge shaved at least £10 million off that total.

The optimists say the collapse in share prices will simply mean a redeployment of assets by investors.

For example, some may shift money out of North American equity funds and into various government bond funds or gold funds.

But how well the unit trust business weathered the October crisis will not be known until market conditions calm down for a sustained period of time.

Marybeth Nibley

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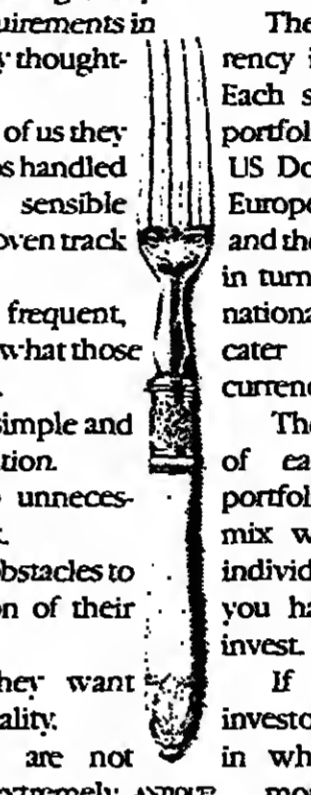
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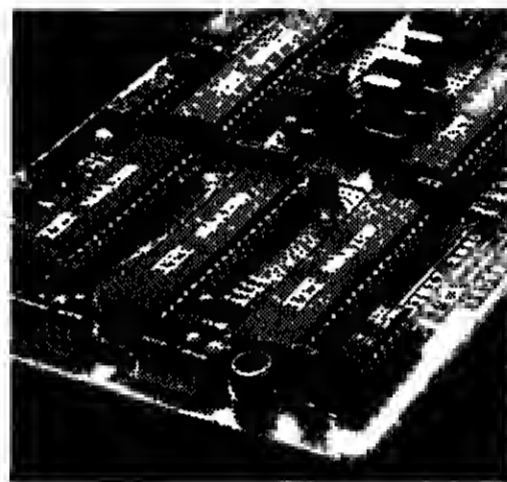


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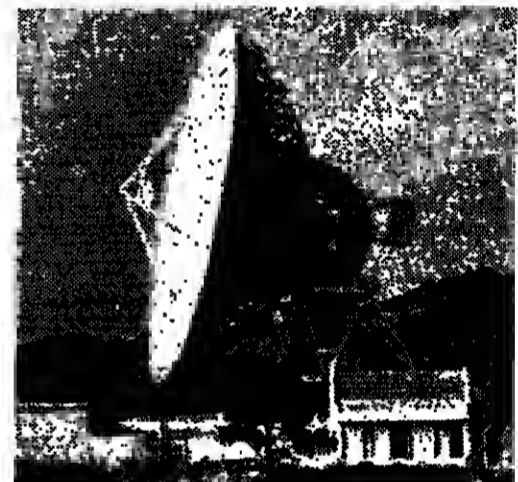
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Currency

Currency	Rate	Change
Australian	1.238	+0.002
Canadian	0.752	+0.001
DM	1.775	+0.001
French	163.50	+0.01
Italian	1,365	+0.01
Japanese	163.50	+0.01
Swiss	1.48	+0.001
UK	1.54	+0.001
West German	1.775	+0.001
Yen	163.50	+0.01

Other Dollar Values

Country	Rate	Change
Belgium	36.36	+0.01
Denmark	136.50	+0.01
Spain	166.67	+0.01
Sweden	136.50	+0.01
Switzerland	1.48	+0.001
West Germany	1.775	+0.001
Yen	163.50	+0.01

Forward Rates

Period	Rate	Change
30-day	1.775	+0.001
60-day	1.775	+0.001
90-day	1.775	+0.001
180-day	1.775	+0.001
360-day	1.775	+0.001

Last Week's

Index	Value	Change
Dow Jones	2,795.02	+0.13
S&P 500	1,687.00	+0.13
NASDAQ	2,152.67	+0.13
NYSE	2,152.67	+0.13
AMEX	2,152.67	+0.13

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EUROBONDS

Sea of Official Liquidity Buys Fixed-Rate Paper

By CARL GEWIRTZ International Herald Tribune PARIS — The storm of uncertainty swirling through markets since late October hit the foreign exchange market last week. But equity markets were becalmed, waiting to see what Washington does about its budget deficit and where the dollar ultimately settles. Central banks, maintaining the stance they have taken since the crisis erupted, continued to pump massive amounts of liquidity into money markets. Last week, the central banks made these huge outlays trying to stabilize the dollar. The officials met more success in calming securities markets than in steadying the U.S. currency, but the dollar's decline, in the view of many analysts, was inevitable. Bond markets were the major beneficiaries of the government action. The abundant liquidity translated into lower interest rates, and that fed a rush to buy fixed-income securities. Demand for paper denominated in Deutsche marks and yen was further boosted by foreign investors speculating on currency gains. Even the dollar, weak as it was on the foreign exchange market, attracted buying. The U.S. Treasury auctions drew substantial demand last week from Japan, where investors borrowed dollars to buy the bonds since there was no immediate danger of prices falling. Using borrowed dollars to finance the purchases eliminated any currency risk. However, U.S. bond prices eased late Friday. The market was unmoved by figures showing a surge in U.S. October nonfarm employment — taken as a sign that the economy was expanding faster than had been expected and reducing the chances of any further easing by the Fed. But Salomon Brothers Inc.'s chief economist, Henry Kaufman, said that while "the Fed is likely to guard against encouraging market expectations of additional policy easing" monetary relaxation outside the United States and the likely cut in the U.S. budget deficit "will allow the monetary authorities to maintain their current stance."

The Fed is likely to continue providing ample funds to the money market, says Henry Kaufman.

ACCORDING to Neal M. Soss, chief economist for First Boston Corp., "there is no risk over the next 30 to 90 days" of central banks tightening their monetary policies. He predicted that the Federal Reserve would not consider any tightening until the effects on personal wealth of October's crash in stock prices could be measured. Economists are widely split on whether and by how much that drop in equity values will translate into a drop in U.S. consumer spending. Mr. Soss noted, for example, that a stock crash in 1962 had no negative effect on spending. Given the difficulty in measuring the impact, Mr. Soss said he expects the Fed to maintain its easy money stance at least until a clearer picture on consumer attitudes emerges from the Christmas sales season. Until then, he said, the Fed's major concern will be to temper the fear stirred by the stock crash. "Liquidity is the building block of all markets," he said. "Provision of liquidity provides greater financial stability."

That liquidity, however, was also the undoing of the dollar. Before the late October crisis in equity markets, interest rates on Eurodollar deposits were 4 percentage points over rates for Deutsche marks and yen, helping to attract investors into the U.S. currency. By last week, with U.S. interest rates falling faster than the others, the differential was down to 3.3 points against the mark and 3 points against the yen — a level that the foreign exchange market deemed inadequate given the high probability that the dollar would decline in value. But now that it has, analysts say, all that's missing to justify a new meeting of finance ministers from the seven leading industrialized nations is a U.S. commitment to cut its budget deficit. Then, all the ingredients will be in place to reconstitute the Louvre accord that sought to stabilize exchange rates through economic policy coordination. "The most likely outcome," Credit Suisse First Boston said in its weekly market comment, "is some kind of U.S. budget package early this week followed by a formal meeting of the Group of Seven at which target ranges for the dollar and a round of joint interest cuts will be renegotiated."

It estimated the new dollar trading targets at 1.60 to 1.80 DM and 125 to 145 yen. The U.S. currency closed in New York on Friday near the middle of these values, at 1.6705 DM and 134.95 yen. The only bond market not to have benefited last week was in France. The French Treasury had no sooner finished selling 4 billion francs worth of bonds to underwriters when the Banque de

Currency Rates

Table with columns for Currency, Par \$, and various rates for major currencies like DM, Yen, etc.

Table with columns for Currency, Par \$, and various rates for other currencies like Swiss Franc, etc.

Last Week's Markets

Table with columns for Stock Indexes, Money Rates, and various market indicators.

U.S. Exchanges Vie to Lay the Blame

By James Sterngold New York Times Service NEW YORK — A bitter dispute has broken out between executives of the New York Stock Exchange, the Chicago Mercantile Exchange and the Chicago Board of Trade over responsibility for the stock market collapse three weeks ago. John J. Phelan Jr., chairman of the NYSE, has irritated the Chicago Mercantile Exchange and the Board of Trade by suggesting that stock-index futures contributed to the market's swift descent. Some of his criticism focused on program trading, a sophisticated strategy involving simultaneous trades in the stock-index futures market and the actual stocks that make up the index. Many argue that program trading accelerates sudden swings in prices, such as the 508-point plunge of the Dow Jones industrial average on Oct. 19. Mr. Phelan has pointed out that the stock exchange stayed open on Oct. 20, but that the stock-index futures pits had to be closed. The Merc and the Board of Trade have fired return salvos, complaining that trading was halted in many key stocks listed on the NYSE at various times during the market panic. The debate has already moved to Washington, where the exchanges are seeking to influence the outcome of a number of investigations into the market problems. "Within the last five days, suddenly, we've been flooded by their people from New York and Chicago," a senior staff member of one of the congressional committees involved in an investigation of the markets said last week. "It's one hell of a mess. I don't expect to hear a lot of rational thinking for a while."



Leo Melamed, upper left, chairman of the Merc's executive committee, and John J. Phelan Jr., chairman of the NYSE. The Chicago Board of Trade at La Salle Street.

For Chicago Gatsbys, Unsure Futures

By Julia M. Flynn New York Times Service CHICAGO — Just as New York has flourished in recent years from the boom on Wall Street, so has Chicago prospered from the rising fortunes of its options and futures exchanges. In part because of those exchanges, the tumble of parking lots and skid row hotels in the city's downtown section has given way to chic restaurants, glittering high-rise apartment buildings and health clubs that cater to the growing ranks of traders. "They've told the world Chicago is more than just a rough-and-tumble town full of gangsters." The importance of the options and futures exchanges in Chicago's economy has not been lost on the city's leaders. "Enjoy yourselves and make every damn dollar you can," urged Mayor Harold Washington in September, when the Chicago Board of Trade started Sunday evening trading sessions. Now the city's exchanges are coming under siege. Rightly or wrongly, the financial futures born in Chicago's commodity trading pits have been widely blamed for the stock market's collapse on Oct. 19. And pressure to regulate them is mounting. Although it is highly unlikely that Chicago's markets will disappear, tighter regulations could limit their growth and employment. Such regulations "could cripple the industry," warned Merton H. Miller, a University of Chicago professor. "The exchanges have given this city a real boost," said Bob Tamarin, author of "The New Gatsbys," a book about Chicago's commodity

traders. "They've told the world Chicago is more than just a rough-and-tumble town full of gangsters." The importance of the options and futures exchanges in Chicago's economy has not been lost on the city's leaders. "Enjoy yourselves and make every damn dollar you can," urged Mayor Harold Washington in September, when the Chicago Board of Trade started Sunday evening trading sessions. Now the city's exchanges are coming under siege. Rightly or wrongly, the financial futures born in Chicago's commodity trading pits have been widely blamed for the stock market's collapse on Oct. 19. And pressure to regulate them is mounting. Although it is highly unlikely that Chicago's markets will disappear, tighter regulations could limit their growth and employment. Such regulations "could cripple the industry," warned Merton H. Miller, a University of Chicago professor. "The exchanges have given this city a real boost," said Bob Tamarin, author of "The New Gatsbys," a book about Chicago's commodity

Inflation Is Ugly Word in China, but Most Prefer It to 'Controlled' Scarcity

By Edward Gargan New York Times Service BEIJING — There is a new ugly word in China: inflation. China's leaders debated what to do about it at a recent meeting of the Congress of the Communist Party. Newspapers have been running editorials about it. And China's people, who are glad to see the food and goods that the higher prices are producing, are discussing the pros and cons of rising prices in markets and small shops. Inflation has begun to take root as the nation adapts to the wide range of free-market reforms introduced over the last several years. By one of the best measures available, prices are up more than 9 percent for the first six months this year, a very large increase for a country that until two years ago experienced inflation of only 1 percent or less for more than 30 years. Prices have been rising so far and so fast lately that charges of profiteering have emerged, consumers are complaining and officials have established fixed prices. But like punching a down-filled pillow, suppressing prices in one place merely seems to plump them up elsewhere. According to the monthly China Statistical Reports, food prices in cities were 19.5 percent higher in the first six months of this year than in the comparable period of 1986. Certain commodities showed particularly dramatic increases. The price of grain products, including rice and wheat, was up 46.4 percent, and prices of fresh vegetables rose 26.9 percent. Several Western diplomats who monitor China's economy believe that the inflation level is understated. "They don't have an index for

such things as intermediate goods, things like motors for washing machines," said an economist at a Western embassy. "The in-house statistics of the People's Bank of China show a higher rate of inflation," he added. The problem of swiftly rising prices has so alarmed China's leadership that the matter was one of the principal topics of discussion at the 13th Congress of the Communist Party, which ended on Nov. 2. In an address in the Congress as it opened on Oct. 25, Prime Minister Zhao Ziyang called for the eventual deregulation of virtually all prices. "We should gradually establish a system under which the state sets the prices of a few vital commodities and labor services while leaving the rest to be regulated by the market," he said. The Party Congress, the body that formally approves policies for

the country, ratified Mr. Zhao's position. But the degree to which prices will be deregulated will depend heavily on his ability to overcome political opposition. Prices are seen as the key to whether economic reform will succeed in China, which has been undergoing economic upheaval under Deng Xiaoping, who just retired from the Communist Party's Central Committee. Many Western economic analysts and many Chinese believe that China must shift to a system in which prices more realistically reflect supply and demand if the nation is to surmount the rigid inefficiencies of bureaucratic planning. But to the nation's ideological

Financial 'Whiz' Proves to Be Just a Kid

Compiled by Our Staff From Dispatches LONDON — A 15-year-old British schoolboy who borrowed and gambled \$100,000 (\$178,000) on the London Stock Exchange after convincing brokers that he was a financial "whiz kid" faces possible charges for leaving them holding about £20,000 in losses, authorities said. Officials said that his parents may have to make good on the losses, which were suffered in the recent stock market crisis. "I didn't know about it until the local newspaper telephoned me," his mother said. His father said the family has sought legal advice. Because of his age, police only identified the boy as being from Derbyshire in central England. They said he had gone home from school on lunch breaks to phone brokers. Detectives said that the boy told school friends: "I'm on my way to making my first million."

"He wasn't even studying economics. He's just a pupil of average intelligence," said the boy's headmaster, David Marshall. He was "certainly not the sort you would call a whiz kid." Brokers said they thought their client was 19 — old enough to legally buy shares — and were impressed with his knowledge of financial jargon. He ordered shares from several companies totaling as much as \$100,000 and was given credit. His name was put through the London Stock Exchange's computer of bad debtors and when no trace was found he was assumed to be creditworthy. Horrified brokers called police after discovering that the losses had been run up by a minor. A spokesman for one of the brokers said: "This young lad has been very naughty. We thought he was 19. He cannot be allowed to get away with it. He must be made to be responsible for his actions, even if it means having to pay off his debts for many years to come." Police said they were astonished at how easily the youth was able to enter the world of financial deals with champagne and even had his own accountant, they said. "Apparently he was very convincing and knew all the terms involved," a detective said. (Reuters, UPI)

Japanese Are Jittery on Investments

By Patrick L. Smith International Herald Tribune TOKYO — Exchange-rate volatility and stock market turmoil have thrown Japanese institutional investors into something close to panic, according to fund managers and financial analysts here. The slump of the dollar against the yen is igniting fresh fears in Tokyo about the value of Japanese investments in the U.S. securities and spreading confusion as to how these assets should be protected. There is little immediate danger of a large-scale withdrawal of Japanese funds from the United States, where such investment has helped keep interest rates relatively low, local and foreign analysts said. But the flow of new Japanese money into dollar-denominated securities has virtually dried up. At the same time, pessimism about prospects for Tokyo stock prices is deepening. "People are at a loss as to what to do," said Nobumitsu Kagami, managing director of Nomura Investment Management Co., a subsidiary of Japan's largest securities firm. Although last week's U.S. Treasury refinancing was adequately supported, analysts said there was little indication that Japanese investors intended to hold the notes and bonds in their portfolios as long-term investments. This follows the recent trend, where Japanese buying came largely from traders eager to make money on short-term price movements. At Thursday's auction of 30-year bonds, dealers estimated that Japanese buyers accounted for at least 20 percent of the \$4.77 billion in bonds on offer. But reflecting expectations that the dollar will soon drop another 10 to 15 percent against the yen, Japanese investors are believed to have financed their auction purchases

chiefly by liquidating other dollar-denominated holdings or by borrowing dollars to eliminate any further currency risk. "The implications of this are clear," said Nobuyuki Ueda, a senior economist at the Long-Term Credit Bank of Japan. "If there's no new money moving into the U.S. market, we can expect further depreciation in the dollar's value and a consequent upward pressure on interest rates." Japanese investors have, in effect, moved sideways — from U.S. stocks and government securities into short-term money-market instruments. Japan's purchases of foreign bonds, concentrated in the United States, dropped 34 percent in the third quarter of this year, to \$15.7 billion. Early this year, the total amount of Japanese funds invested in U.S. government securities and corporate bonds was estimated at about \$100 billion. In the long term, Japanese money managers said, they have no choice but to invest in the United

States, since its markets are the only ones large or diversified enough to absorb Japan's trade surpluses. "Until recently, many of the large Japanese investors who were nervous about exchange-rate risks would have pumped funds into the Tokyo stock market. But even after the relatively modest 13.5 percent decline in the Nikkei index of 225 leading stocks since Oct. 16, several factors suggest that Japanese equities are still vulnerable, analysts assert. The yen's appreciation could undermine Japan's economic recovery by blunting the competitiveness of Japanese exports. Also, the renewed strength in Japan's economy is attracting funds into capital spending from purely financial investments and will initially depress share prices. The only potential bright spot for Japanese institutions is the domestic bond market, analysts said, which is expected to rebound from recent lows because of declining interest rates.

MCKENNA & Co TOKYO Toyo Kaiji Building No. 3, 7th Floor, 2-23-1 Nishi Shinbashi, Minato-ku, Tokyo 105, Japan Telephone: (03) 578-0955 Fax: (03) 578-0958 Telex: J32589 MCK-TYO Richard A. Eastman resident partner Richard J. Curt resident partner SEPTEMBER 1987 * Admitted in California and New York and licensed to practice in Japan as a Gaikokuho-jimu-bengoshi and registered as a member of the Japan Federation of Bar Associations. ** Admitted in England and Wales and licensed to practice in Japan as a Gaikokuho-jimu-bengoshi and registered as a member of the Japan Federation of Bar Associations. LONDON - BARRISTERS - HIGH HOUSE - SINGAPORE - TOKYO

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-423-1277. Prices may vary according to market conditions and other factors.

November 5

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Canada

Table of Canadian bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Japan

Table of Japanese bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Scandinavia

Table of Scandinavian bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

United Kingdom

Table of United Kingdom bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

United States

Table of United States bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Western Europe (Other)

Table of Western European bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Supranational

Table of Supranational bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Non-European

Table of Non-European bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Mutual Funds

Table of Mutual Funds, including columns for Fund Name, Assets, and other details.

DM Straights

Table of DM Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

European

Table of European bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

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Non-European

Table of Non-European bond prices, including columns for Issuer, Con, Mat, Price, Yld, and Trd.

Wall Street Review

Table of Wall Street Review, including NYSE Most Actives and AMEX Most Actives.

NYSE Sales

Table of NYSE Sales, including Total for week and Year to date.

AMEX Sales

Table of AMEX Sales, including Total for week and Year to date.

NYSE Diaries

Table of NYSE Diaries, including Total for week and Year to date.

AMEX Diaries

Table of AMEX Diaries, including Total for week and Year to date.

WestLB

WestLB International S.A., 32-34, boulevard Grande-Duchesse Charlotte, Luxembourg, Telephone (352) 4 47 41-43, Telex 16 78.

INTERNATIONAL POSITIONS

Table of International Positions, including columns for Title, Salary, and Employer.

If you haven't seen last week's INTERNATIONAL POSITIONS rubric, please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Neully Cedex, France.

Telephone 1 46 37 93 81, Telex 513395

The Global Newspaper



Vertical text on the right edge of the page, including 'New International', 'Creditors Relax', and 'making contributions'.

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price and week, Terms. Includes sections for Floating Rate Notes and Fixed-Coupon.

VACUUM: After Stock Rout, the West Resembles a 'Convoy With No Admiral'

(Continued from Page 1) gain world stature. In West Germany, Chancellor Helmut Kohl, not a charismatic figure at the best of times, has hardly been heard from since the crisis erupted.

Mr. Schmidt believes that the best the West can do is muddle through until 1989 in the hope that the next American president will provide more effective leadership.

Not everyone would agree with the French newspaper Le Monde, which abruptly announced the end of American hegemony a week after the Oct. 19 plunge in share prices.

But there is general agreement that the relative decline in U.S. economic power, in both the world and in the West, must lead to some reduction in U.S. influence — at least in economic, as opposed to strategic, decision-making.

His main point, however, is that with only half the share of the world economy it commanded in 1945, the United States cannot expect to play the same unchallenged world role that it did at its peak.

Everyone also knows that the United States must take quick and decisive action to cut the budget deficit, except, apparently, the people in Washington who have to make the decisions.

The widespread view in Western Europe is that the U.S. Congress has been just as remiss as Mr. Reagan in failing to rise to the occasion.

That is not just true of the United States, Mr. Kennedy says. As the latest crisis has shown, there is an ever-widening gap between the speed of worldwide economic and financial events and the time needed for political decisions.

But the summits do not have a record of decisive action. Each leader tends to bring the concerns of his constituents to the table, not those of the wider world, and spend far too much time posing for the television cameras.

There is some hope that lessons will be learned, if political forces do not convince West Germany and Japan that they have to take over some of the burden from the United States, the market will, says Mr. Hunter.

CHINA: Inflation Is an Ugly Word

(Continued from first finance page) purists, who are still a strong force, the alarming inflation rate is a sure sign of creeping capitalism.

For some of the more rigid Marxists within China's leadership who just retired from the Central Committee but are still expected to exert some influence over policy, ballooning inflation provides the perfect ammunition for attacking reforms.

The old guys may not understand the relationship between the money supply and prices," a Western diplomat said, "but they sure understand the complaints from the people."

Table titled 'SELECTED U.S.A./R.T.E. QUOTATIONS' with columns for stock names and prices.

BRAZIL: Banks Favored

(Continued from first finance page) back on the road to creditworthiness.

The interest rate on the new loans is 7/8 of a percentage point above the benchmark London interbank offered rate, or Libor, the rate at which many banks arrange their own funding.

Brazil had first insisted on paying no more than the Libor rate, thereby cutting out any profit to the banks.

U.S. Treasury Department and Federal Reserve Board officials helped hammer out the agreement, and for this reason some bankers fear that non-American banks may resist making the new loans.

With loans in this category, banks cannot account for the interest until it is actually received.

Creditors Relax Rates, Fee for Fecsa

By Carl Gewirtz International Herald Tribune PARIS — Negotiators representing the international banking community have reached an agreement in principle with the private Spanish utility company Fecsa on a plan to restructure its debt.

making some sacrifice to match the contribution that domestic financial institutions and the government are making to put the power company's finances on a sound footing.

Domestic institutions will be providing new capital amounting to 83 billion pesetas, and the government has agreed to allow the company to raise its tariffs.

BONDS: Prices Buoyed by Sea of Official Liquidity

(Continued from first finance page) France hiked money-market rates. The move, announced simultaneously with a cut in West German rates, was aimed at taking pressure off the franc in the European Monetary System.

The rate hike left the French banks sitting on a 3 percent loss on their bonds.

However, the rate increase was only a temporary move aimed at discouraging speculation against the franc. A similar economic growth in France does not justify higher rates and the increase is expected to be rolled back as soon as the Group of Seven can meet.

BIS Talks Expected To Center on Dollar

Basel, Switzerland — Senior central bank officials from the leading industrial countries began talks at the Bank for International Settlements on Sunday expected to center on the collapse in the value of the dollar.

Despite repeated central bank intervention on the foreign exchange markets and attempts to "talk up" the dollar, the U.S. currency has lost about 6 percent of its value since they held their last routine meeting for major central banks — on Sept. 7.

Advertisement for Oberoi Bombay featuring a photograph of a restaurant interior and the text 'When everything has to be just right'.

Fed Was Tightening Policy Before Stock Market Drop

WASHINGTON — The Federal Reserve Board was tightening U.S. credit conditions in the weeks before last month's stock market dive, according to minutes of a meeting of the Fed's policy-making body.

That move to tighten credit, initially signaled on Sept. 4 by a half-point increase in the Fed's discount rate to 6 percent, has been cited by analysts as a contributing factor to the record 508-point drop in the Dow Jones industrial average on Oct. 19.

Large advertisement for Invest-Loan by Jyske Bank, featuring a circular logo and detailed text about investment opportunities.

Table titled 'U.S. Consumer Rates' with columns for item and rate. Includes items like Treasury bonds, Money Market Funds, etc.

Handwritten signature 'J.P. di...'

SPORTS

Oklahoma Wins, 29-10, But Loses 2 Key Players

Compiled by Our Staff From Dispatches
NORMAN, Oklahoma — Top-ranked Oklahoma found a way to beat No. 12 Oklahoma State on Saturday, but now must find a way to stay No. 1 without quarterback Jamele Holiway and fullback Lydell Carr.

U.S. COLLEGE FOOTBALL

10 victory over the Cowboys; both will miss the rest of the season.

"We lost two great players," said Coach Barry Switzer. "Jamele Holiway will be operated on, and Lydell Carr has ligament damage and will be in a cast for the rest of the season."

Holiway is Oklahoma's leading player this season with 919 yards. Carr is second with 673.

Substitute fullback Ronnie Anderson, a junior, entered the game Saturday in the first series after Carr was injured. Anderson carried the ball 30 times for 191 yards. Before he was injured, Holiway added 123 yards, as the Sooners rushed for 413.

Holiway, a junior, injured his left knee on a run in the fourth quarter.

The costly victory raised Switzer's career record to 145-24, putting him ahead of Bud Wilkinson as the winningest coach in the school's history.

The Sooners are 9-0 overall and 5-0 in the Big Eight Conference. Oklahoma State dropped to 7-2 and 3-2, with its other loss coming against No. 2 Nebraska.

Oklahoma will play at home next week against Missouri and finish the season Nov. 21 at Nebraska, a game that figures to decide the top team in the country heading into bowl season. The winner will play in the Orange Bowl.

Switzer said Holiway would be replaced by Charles Thompson, a freshman who has played extensively this season in the backup role. Anderson will replace Carr.

Nebraska 42, Iowa State 3; in Lincoln, Nebraska, I-Hack Keith

Jones gained a career-high 240 yards on 15 carries and scored two touchdowns as Nebraska improved to 9-0 overall and 5-0 in the Big Eight. The Cornhuskers have consecutive conference opponents by 125-15.

Florida State 34, Auburn 6: In Auburn, Alabama, Danny McManus threw three touchdown passes and Derek Schmidt kicked two field goals and four extra points to become the leading scorer in National Collegiate Athletic Association history with 370 points as Florida State took advantage of five first-half turnovers.

UCLA 52, Oregon State 17: In Corvallis, Oregon, Troy Aikman threw for two touchdowns and Eric Ball, replacing the injured Gaston Green, ran for three more scores, boosting seventh-ranked UCLA to 8-1 overall and 5-0 in the Pacific 10 Conference.

Syracuse 34, Navy 10: In Annapolis, Maryland, senior quarterback Don McPherson completed 11 of 20 passes for 197 yards and touchdowns to wide receivers Dave Glover and Tommy Kane as bowl-bound Syracuse improved to 9-0.

Clemson 13, North Carolina 10: In Chapel Hill, North Carolina, David Truhead kicked a 30-yard field goal with 32 seconds to play, giving the Tigers, 5-1 in the Atlantic Coast Conference and 8-1 overall, a shot at winning the league championship next week against Maryland.

Georgia 23, Florida 10: In Jacksonville, Florida, freshman Rodney Hampton gained 103 yards, Lars Tate scored on two one-yard runs and Georgia held fullback Emmitt Smith to 46 yards in 13 carries.

Michigan State 45, Purdue 3: In East Lansing, Michigan, Blake Edwards rushed for 151 yards and Lorenzo White ran for 144 to set up Michigan State for a showdown next week against Indiana. A victory would send the Spartans, 5-0-1 in Big Ten play, to the Rose Bowl for the first time since 1966.

Arkansas 10, Baylor 7: In Fayetteville, Arkansas, James Rouse scored on a one-yard run with 47 seconds left to keep alive Arkansas' hopes for a Cotton Bowl bid.

Odell Lloyd intercepted a pass on the final play to seal the victory. Alabama 20, Louisiana State 10: In Baton Rouge, Louisiana, Bobby Humphrey rushed for 177 yards on 35 carries and scored on a 10-yard fourth-period run to help Alabama hand LSU its first loss of the year.



Oklahoma quarterback Jamele Holiway, assisted by a coach, an official and teammate Pat Collins after injuring his knee.

Odell Lloyd intercepted a pass on the final play to seal the victory.

Alabama 20, Louisiana State 10: In Baton Rouge, Louisiana, Bobby Humphrey rushed for 177 yards on 35 carries and scored on a 10-yard fourth-period run to help Alabama hand LSU its first loss of the year.

Dartmouth 12, Columbia 10: In New York, Carl Romero kicked a 33-yard field goal with 1:45 remaining as Dartmouth extended Columbia's Division I losing streak to 39 games. The losers' Kurt Dabach was a half-yard wide on a 35-yard field goal attempt with 24 seconds left.

Chargers Rally to Down Colts, 16-13

Compiled by Our Staff From Dispatches
INDIANAPOLIS — Vince Abbott kicked three second-half field goals Sunday, including a 39-yarder with 12 seconds remaining, lifting the San Diego Chargers to a 16-13 National Football League victory over the Indianapolis Colts.

Eric Dickerson, making his first start for the Colts since his acquisition in a trade Oct. 31 with the Los Angeles Rams, rushed 35 times for 138 yards. But his fumble into the end zone with four minutes to go led to the winning drive for San Diego.

Starting at their 20-yard line after the turnover, the Chargers drove 59 yards in 11 plays, including passes by Dan Fouts of 11 yards to Kellen Winslow, 18 yards to Wes Chandler and 11 yards to rookie Rod Bernstine. Three straight runs by Curtis Adams took San Diego to the Indianapolis 21, and Abbott kicked the winning field goal on fourth down.

It was the fifth time in its last six victories that San Diego, now 7-1 and atop the American Football Conference West, rallied to win in the fourth quarter or overtime.

The Colts dropped to 4-4. Dickerson, whose first-half run set up two field goals by Dean Biasucci and an eight-yard touchdown run by Albert Bentley, brought the Colts to the San Diego eight-yard line late in the fourth quarter. But Dickerson fumbled just short of the goal line on the next play and the Chargers' Mike Humphrey recovered in the end zone.

Fouts' passing brought the Chargers to the Colts' 25 on their first possession of the second half, and Abbott kicked a fourth-down, 42-yard field goal for San Diego's first points.

The Chargers got the ball back midway through the period at the Indianapolis 40 after a fake punt on fourth down left the Colts with a chance of a first down. It took six plays to reach the 19, and Abbott kicked his second field goal, from the 37-yard line.

San Diego tied the score early in the fourth quarter on a five-yard pass from Fouts to Lionel James, capping a 47-yard drive.

Dickerson had 103 yards on 24 carries in the first half, including 50 yards during the Colts' only touchdown drive late in the second quarter.

He ran six times in a row, then went to the sideline as two runs by Bentley and a 10-yard pass reception by Bill Brooks took Indianapolis to the Chargers' 30.

Dickerson returned and ran twice to the 14, and another six-yard pass to Brooks set up Bentley's scoring run, his third of the season.

Eugene Daniel returned an interception pass off Fouts 34 yards to the Chargers' 15 early in the second quarter, but three runs by Dickerson produced only five yards and Biasucci kicked his second field goal, a 27-yarder.

Fouts was intercepted twice more before halftime, and the Chargers managed only four first downs and 101 yards in the first two periods. Two first downs and 36 of the 101 yards came on their final possession in the closing seconds of the half, and Mike Pior's interception at the Indianapolis 10 on the second ended left the Colts with a 13-0 lead.

Bills 21, Broncos 14: In Orchard Park, New York, Robb Riddick ran for a touchdown and blocked a Denver punt to set up one of two Buffalo safeties as Buffalo beat Denver.

A steady 25-mph wind forced both teams to the ground and the Bills out-rushed the Broncos 288 to 76 yards to improve their record to 4-4, equaling the number of victories Buffalo had all last season.

Denver, the defending American Football Conference champion, was down 18-0 at halftime. But the Broncos rallied for a six-yard touchdown run by Sammy Winder in the third quarter and a 15-yard scoring pass from John Elway to Vance Johnson in the fourth. Denver fell to 4-3-1.

Minnesota quarterback Tommy Kramer, who was making his first appearance this season after recovering from a pinched nerve in his neck, yielded to Wilson at the start of the second half. Kramer, who led the league in passing last year, was 5-for-16 for 54 yards.

The Raiders, 3-5, who have lost five straight games for the first time since 1964, had four passes intercepted, three leading directly to Viking touchdowns. Rusty Hilger was picked off three times before being replaced in the third quarter by Marc Wilson. A fumble by Bo Jackson also led to a score for Minnesota on the next Raiders.

Browns 38, Falcons 3: In Cleveland, Bernie Kosar threw his longest pass of the season, a 54-yard touchdown to Webster Slaughter, to snap the Browns out of a first-half lull and Earnest Byner scored three third-quarter touchdowns as the Browns defeated Atlanta.

Atlanta, 2-6, has lost all three of its games since the end of the players' strike and has been out-scored 76-3 in its last two games. Cleveland, 5-3, has beaten the Falcons seven times in eight meetings.

St. Louis, Neil Lomax threw three touchdown passes and Niko Noga returned a fumble for a score to spark St. Louis to 28 fourth-quarter points and give the Cardinals a 31-28 victory over Tampa Bay.

The Cardinals started the fourth quarter trailing 28-3, but Lomax rallied them. J.T. Smith hauled in a 17-yard touchdown strike from Lomax with 2:01 left to push the Cardinals ahead 31-28. Lomax drove the Cardinals 80 yards in eight plays to the winning drive.

Steelers 17, Chiefs 16: In Kansas City, Missouri, Gary Anderson, 90 seconds after missing a 41-yard field goal, drilled a 45-yarder to give Pittsburgh a 17-16 victory over Kansas City and hand the Chiefs, 1-7, their seventh consecutive loss, tying a club record.

Eagles 31, Redskins 27: In Philadelphia, Randall Cunningham's third touchdown of the game, a 40-yard completion in the end zone to Gregg Garrity with 1:06 remaining, rallied Philadelphia over Washington for probably the Eagles' most important win since the Super Bowl season of 1980.

The Eagles, who evened their record at 4-4, snapped a five-game Redskins winning streak with a six-play, 77-yard drive in which Cunningham completed four passes for 75 yards.

The Eagles rallied for their third straight victory after Washington edged ahead, 27-24, on a five-play, 75-yard drive, capped by Jay Schroeder's 47-yard touchdown pass to Gary Clark in the end zone with 2:29 remaining. Cunningham completed 16 of 31 passes for 263 yards. Schroeder completed 16 of 46 passes for 265 yards and two touchdowns.

(AP, UPI)

SCOREBOARD

National Basketball Association Standings

Table with columns for Eastern Conference, Central Division, Western Conference, Midwest Division, Pacific Division, and Friday's Results. Lists teams and their records.

Basketball

European Soccer

Table with columns for Spanish First Division, Italian First Division, and French First Division. Lists teams and their records.

Hockey

NHL Standings

Table with columns for Wales Conference, Patrick Division, NHL Standings, and Friday's Results. Lists teams and their records.

Tennis

Men's Tournaments

Table listing tennis tournaments and winners, including ATP and Grand Slam events.

Women's Tournaments

Table listing women's tennis tournaments and winners.

Football

Selected U.S. College Results

Table listing college football results from various conferences and divisions.

CFL Standings

Table listing Canadian Football League (CFL) standings for Eastern and Western Divisions.

Transition

Baseball

Table listing baseball news and game results from various leagues.

Football

Table listing football news and game results from various leagues.

Hockey

Table listing hockey news and game results from various leagues.

Transition

Baseball

Table listing baseball news and game results from various leagues.

Football

Table listing football news and game results from various leagues.

Hockey

Table listing hockey news and game results from various leagues.

Young Sailor: 'Only One First Time'

By Angus Phillips
Washington Post Service

NEW YORK — Two and a half years ago, Ernst Aebi sat his daughter, Tania, who was then 18,

off on a trip around the world alone in a tiny sailboat because she would not do her homework.

To the astonishment of many, she made it, and on Friday New York welcomed home one of its own as frazzled, hair-wedged, free-spirited Tania and her world-weary sloop Varuna came wallowing in off the windward sea to a hero's welcome, including a windy message from President Ronald Reagan.

Thousands converged to greet her at South Street Seaport, where she tied up the maroon, 26-footer (7.92-meter), officially ending the journey of a lifetime.

And what did she learn from the last 30 months, in which she rode the Red Sea, the Indian Ocean, the Pacific Ocean, the Panama Canal, the Mediterranean Sea and the North Atlantic, surviving capsizes, a collision with a freighter and bouts of depression and loneliness?

"I learned that I can do what I set out to do," she said, smiling. "But I'm still not sure I can quit smoking."

Tania Aebi's story is one of the books, even if the record books do not seem interested. She would have been the youngest person to sail around the world alone, eclipsing 21-year-old Robin Lee Graham's record by a matter of days, except for an oversight that rendered her ineligible.

In Samoa, she gave a hitchhiker a ride 80 miles (129 kilometers) between islands, and because she never went back to cover the stretch alone, keepers of sailing records say her 27,000-mile voyage does not classify as single-handed.

She doesn't care.

"It was like taking someone from here to Atlantic City," Aebi said of the lift between islands. "I didn't think it would matter. The island was in sight. To me, a passage was weeks, months."

Aebi's father conceived the idea to send his daughter around the world alone when she proved a difficult student and refused to go to college after graduating from an alternative New York high school called City As School.

"One day I said yes, we ordered the boat, and then it was too late," she said. "I left knowing nothing." She finally figured out celestial navigation when she got to the Galapagos Islands. Until then, she went on "pure dumb luck."

Despite the public acclaim, which drew a dozen television crews Friday, she does not regard her achievement as such a big deal.

"I keep wondering why all these people are here," she said. "I try to look at it from the perspective of a nosailer — sailing off into the sunset and all that."

"But to me sailing is just a way of getting from one place to the next. It's nice sometimes and sometimes it's not."

Several hundred people bought tickets Friday aboard the 125-foot Andrew Fletcher, which bucked strong winds to meet Aebi as she was towed in the last few miles from the Verrazano Narrows Bridge. Varuna's small auxiliary engine had died again, as it had often during the trip.

With self-effacing honesty, Aebi fielded queries at a crowded press conference on the dock.

"Did you pray?" she was asked. "Oh, all the time."

"Tell us about your worst moments."

"Well, when you see water knee-deep in the cabin, you ask some questions."

"Regrets?"

"It will never be the same as this again," she said later. "There's only one first time."

Argentina Beats Australia in Rugby

A late surge by Argentina, in striped shirts, produced a 27-19 upset victory in Buenos Aires, with captain Hugo Porta supplying 23 points. After a previous draw, Australia's defeat meant the loss of the two-test rugby series. Meanwhile, Wales scored eight tries and racked up a 46-0 demolition of United States in Cardiff.

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